Austria	Sch 20	Indonesia	Rp 2500	Portugal	Esc 90
Bahrain	Din 0.650	Italy	L 1500	S. Arabia	Rls 6.00
Belgium	BFr 45	Japan	Y 650	Singapore	S$ 4.10
Canada	C$ 1.00	Jordan	Fils 500	Spain	Pta 125
Cyprus	C£ 0.70	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	DKr 8.00	Lebanon	L£ 8.00	Sweden	SKr 7.00
Egypt	E£ 1.00	Luxembourg	LFr 45	Switzerland	SFr 2.20
Finland	Fmk 6.50	Malaysia	Rgt 4.25	Taiwan	NT$ 65
France	Fr 6.00	Mexico	Peso 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 250
Greece	Dr 80	Netherlands	fl 2.75	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	NKr 7.00	U.S.A.	$1.00
India	Rup 15	Philippines	Pesos 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,818 — Thursday January 2 1986 — D 8523 B

World economy: modest recovery continues, Page 12

World news

Eleven die in S. Africa protests

Eleven people died during protests by blacks in South Africa as President P. W. Botha took a hard line against insurrection in his new year's address.

A crowd of 5,000 black youths rampaged through Durban's beach area setting fire to a police vehicle and stoning cars and houses.

There was also violence in Cape Town, Bloemfontein, Upington and Grahamstown. Four of the dead were black youths attacked by black vigilantes near Mouton in the eastern Transvaal. Earlier story, Page 2

Bomb plot foiled

French police said they foiled a plot to blow up a Paris synagogue and arrested an Egyptian and two Portuguese suspected of links with Arab groups. A bomb in the same synagogue killed four people in 1980.

Gulf air raids

Iraq reported its first air raid of the new year on Iran's main oil export terminal at Kharg Island in the Gulf. Baghdad said two Iranian jets attacked residential areas in Sulaymaniyeh, killing two people.

Guerrilla 'army'

The guerrilla who survived the Rome airport massacre told investigators he was one of 300 Palestinians being trained with Libyan backing for suicide attacks on European airports.

Peres boycott call

Israeli Prime Minister Shimon Peres called for an international boycott of Libya and greater co-operation against terrorism. Page 2

Libya denied any link with guerrilla attacks in Rome and Vienna in a move to prevent relations with Austria deteriorating after reports of Libyan involvement in the massacres.

EEC members

Spain and Portugal joined the European Community after almost a decade of negotiations and made the 12-nation Community the developed world's biggest economic grouping. Page 2

Sri Lanka pardon

President Jayewardene gave a free pardon to former Sri Lankan Prime Minister Sirima Bandaranaike and restored her civic rights, removed for seven years in 1980 for abuse of power. She immediately demanded a general election. Page 2

Syrian 'success'

Jordan's Foreign Minister said King Hussein's summit talks in Syria had been a success. But diplomats said the lack of a joint communique indicated policy differences remained. Page 2

gian jail break

dangerous prisoners were on the run after escaping from a Belgian prison by taking warders hostage after a New Year's Eve dinner.

Beirut killings

At least 12 people were killed and 25 wounded in Beirut street battles sparked by a New Year's Eve attempt to kill President Amin Gemayel.

Convicts shot dead

Police in Bangkok shot dead 12 convicts wielding grenades when they tried to break out of a jail in north-east Thailand.

Paris-Dakar Rally

About 300,000 people in Versailles braved freezing weather to watch 123 motorcycles and 353 cars and trucks set off on the 15,000 km Paris-Dakar Rally.

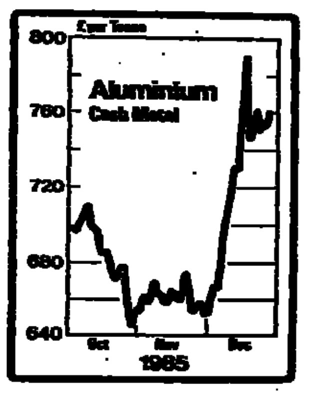
Lottery winner

An accountant won Turkey's first billion lira ($1.8m) lottery prize. Sahin Sari, 37, said: "I will continue to work. I may think of an investment later." He bought the ticket at the insistence of his eight-year-old son.

Business summary

Oil find by Gulf may be biggest in Canada

GULF CANADA, subsidiary of Olympia and York, the Toronto property and natural resources group, said results from a test well beneath the Beaufort Sea indicated reserves of more than 400m barrels, reviving hopes of a commercial oilfield off the Canadian Arctic coast. Page 2



ALUMINIUM ended 1985 on a fairly firm note with the cash price rising £3.75 ($5.4) to £761.25 a tonne in Tuesday's trading on the London Metal Exchange. The metal's price is widely expected to rise in both sterling and dollar terms this year as supplies come more closely to match demand. Page 22

SINGAPORE was warned by Premier Lee Kuan Yew to expect a second successive year without growth in the economy. Page 2

BUSINESS failures in England and Wales showed a year-on-year decline last year for the first time since Dun & Bradstreet, the business information organisation, began keeping records in 1979. Failures fell by 3.5 per cent to 20,943.

PLESSEY, fighting an unwelcome £1.8bn ($1.7bn) takeover bid from rival electronics group GEC, announced it had enlisted the aid of the US courts. Page 14

UNION CARBIDE, US chemicals group battling to defeat a $5.1bn takeover bid from GAF, has continued its asset sales programme by agreeing to sell property for $170m and most of its worldwide chromium, tungsten and vanadium business for $83m. Page 15

THREE US COMPANIES have announced substantial year-end writedowns in asset values to reflect depressed conditions in industries ranging from cement to aluminium and oilfield services. Page 15

BEATRICE COMPANIES, US food and consumer products group being acquired by Kohlberg, Kravis Roberts for $6.2bn, saw a sharp profits fall in the third quarter of 1985/86 despite a strong performance by the domestic food business. Page 15

PAN-ELECTRIC: A rescue plan for debt-ridden Singapore marine salvage and property group became void following the failure to fulfil a key condition. Page 14

NOMURA SECURITIES, Japan's leading brokerage house, will establish a joint company in Tokyo with Babcock and Brown, the largest US leasing company, to embark on international leasing business.

GLOBAL MARINE, the debt-laden US offshore drilling contractor, is soliciting cash offers for its oil and gas subsidiary, Challenger Minerals. Page 15

CHASE MANHATTAN Bank of the US has effectively pulled out of Jordan by failing to agree to central bank requirements to increase its capital base in the country. At the expiry on Tuesday of a government deadline, Chase had not responded to new conditions imposed on the operations of foreign banks. Page 15

AIRPORTS INTERNATIONAL magazine survey shows that $80bn (£56m) is expected to be spent in the next 15 years on expanding and building airports worldwide. Page 3

VAUXHALL-OPEL, the UK arm of General Motors of the US, expects to lift its share of the British car market this year with the help of a new model, the Belmont. Page 4

Nigeria imposes ceiling on 1986 debt repayments

BY PATTI WALDMEIR IN LAGOS

MAJOR GENERAL Ibrahim Babangida, Nigeria's President, has unilaterally imposed a ceiling on the total repayments to be made in 1986 on the country's external debt in a budget promising major structural changes to the Nigerian economy.

In a New Year's Eve broadcast, the General also gave the clearest indication yet of his plan for the political future of the country, vowing to hand over power to a new "participatory government" – presumably civilian – sometime after the end of the year.

His announcement that Nigeria will refuse to spend more than 30 per cent of its export revenues on debt service in 1986 makes Nigeria the second major debtor, after Peru, to impose such a ceiling without the agreement of its creditors. It is likely to force the issue of a rescheduling of Nigeria's $12bn in medium and long-term debts. Without rescheduling, these debts along with several billion dollars of overdue short-term trade debts, would consume one half to two-thirds of projected export revenues.

It seems likely to lead to further major delays in the issuance of promissory notes to cover the several billion dollars trade debt backlog. President Babangida cited recent allegations of foreign exchange fraud against Nigeria involving the Johnson Matthey Bankers of the UK as partial justification for the imposition of a debt service ceiling.

Businessmen and bankers in Lagos said it seems possible that the reform measures in the budget, coupled with the debt service ceiling, are designed to try to persuade official and commercial creditors to discuss debt rescheduling without an agreement with the International Monetary Fund (IMF). However, the IMF's stamp of approval on debtor countries' economic programmes, is usually a precondition to such rescheduling and any softening on this issue would be regarded as a dangerous precedent by creditors.

The budget's stated aim is to bring about far-reaching structural changes in the oil dependent Nigerian economy (which relies on oil exports for over 95 per cent of foreign exchange revenue). However, it stops short of implementing the key adjustment advocated by many foreign and local businessmen and economists, a major devaluation of the naira.

Three months public debate on the issue of devaluation, which was the main stumbling block to agreement with the IMF over two years of negotiations, revealed intense popular opposition to such a move. Talks with the fund were suspended in December as a result.

It is understood in Lagos that a group of military officers arrested last month for plotting to overthrow the Government had planned to capitalise on popular opposition to the IMF to launch their coup bid.

Agreement with the fund would have meant some $2.4bn in IMF balance of payments help, perhaps a further $600m in structural adjustment loans, from the World Bank, and would have led to the rescheduling of about $2bn in insured trade debt (Western exports credit agencies have refused to reschedule these debts until an IMF programme is in place).

Despite the recent rejection of an IMF programme, the budget includes several significant reforms advocated by the fund and Western

Continued on Page 14
Details, Page 2

US trade deficit revives fears with 20% surge

BY REGINALD DALE, US EDITOR, IN WASHINGTON

THE US monthly trade deficit surged upwards again by nearly 20 per cent in November to $13.7bn, the third-highest level ever, the Commerce Department reported. The sharp rise dashed the hopes of many economists that the deficit had passed its peak, and revived fears of renewed protectionist pressure in the months ahead.

The November figure took the deficit for the first 11 months of last year to $131.8bn, well past the $123.2bn for the whole of 1984, the previous record. Mr Malcolm Baldrige, the Commerce Secretary, said that US exports now accounted for the smallest share of the country's gross national product since 1977.

Senior Commerce Department officials, however, said the deficit should begin to drop by the middle of 1986, because of favourable factors including the declining dollar and the increasing competitiveness of US industry. Mr Baldrige said the falling dollar should limit further rises in imports and "begin to promote export growth" in 1986.

Presenting the department's annual US industrial outlook for 1986, Mr Clarence Brown, deputy commerce secretary, said that "a fairly revolutionary restructuring of the American economy" was under way, with growth led by a rapidly expanding service sector and increasing productivity in manufacturing industry.

Mr Brown said 1986 should be good for US industry, "by and large better than 1985", with manufacturing shipments increasing steadily for the fourth year running. Nearly 80 per cent of US manufacturing industries would increase their shipments this year, and the vast majority of service industries would earn higher revenue, the annual outlook predicted.

Mr Beryl Sprinkel, the chairman of President Ronald Reagan's Council of Economic Advisers, gave a warning this week that this year's deficit might be worse than in 1985.

Mr Baldrige called for continued efforts to reduce the deficit in the months ahead.

The November deficit was 18.5 per cent higher than October's $11.5bn, with imports rising by almost 10 per cent and exports up by only 3.5 per cent. The November deficit in manufactured goods, at $10.7bn, was just over 20 per cent higher than in October.

Influential factors in November's poor performance were a 61.5 per cent increase in imports of Japanese cars, from $1.134bn in October to $1.831bn, and a 3.1 per cent rise in oil imports to $4.76bn, the Commerce Department said.

US service sector, Page 2

Lawson predicts continued recovery in UK economy

By Philip Stephens in London

THE British Government is hoping for some fall this year in the level of interest rates from their present 11½ per cent, but the extent will depend crucially on the pace of pay rises, according to Mr Nigel Lawson, the Chancellor of the Exchequer.

In a new year interview with the Financial Times, Mr Lawson also acknowledges that lower oil prices would erode the scope for tax cuts in his March budget.

The Chancellor, however, declined to give any indication over the likely stance of fiscal policy in his March budget beyond saying that "prudence" would continue to be the watchword.

The Treasury has indicated that it will take into account both lower oil revenues and the acceleration of its privatisation programme when setting the level of public borrowing.

The Government's medium term financial strategy envisaged tax cuts of £3.5bn ($5bn) this year, but most outside economists believe that lower oil prices have cut the scope to closer to £2bn.

Mr Lawson is optimistic that the economic recovery will continue into 1987 and says that unemployment appears to have stopped rising, but whether the jobless total will fall significantly depends in part on pay awards.

Mr Lawson's hopes for a fall in nominal interest rates are based on the Treasury's expectation of a sharp fall in the inflation rate this year.

The Chancellor stresses, however, that lower real, or inflation-adjusted, borrowing costs will depend on external factors such as the US budget deficit as well as on wage deals.

Economic growth this year is expected to be generated to a large extent by a steep rise in consumer spending. Are you concerned by the projected slowing of investment and export growth and what do you expect will sustain the recovery in 1987?

Two things are remarkable about investment. First, it has grown twice as fast as consumption over the last four years – the first time this has happened since the 1960s. Second, I see no sign of an absolute "dip" this year, which some expected after the unprecedented surge which followed the corporation Tax changes in the 1984 budget. Indeed, investment is forecast to grow about as fast as the economy as a whole.

Exports have also performed well and the balance of payments cur-

Continued on Page 14

Reagan and Gorbachev seek closer relations

BY REGINALD DALE IN WASHINGTON

PRESIDENT Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, yesterday called for continued progress in improving US-Soviet relations in 1986, building on the foundations of their first summit meeting in Geneva six weeks ago.

In an unprecedented exchange of simultaneously televised new year messages to each other's people, the two leaders agreed that Geneva had made a good start in dispelling superpower misunderstanding and re-emphasised their commitment to cutting back their nuclear arsenals.

As the two men repeatedly declared their peaceful intentions, a senior US official said that the next summit, due to take place in the US, would probably be in the autumn, rather than in June, as Washington had originally suggested.

"After further discussion both sides felt a later date would allow time for further progress," the official said. The Washington Post yesterday reported that Moscow had expressed serious reservations about the late June date proposed by the US, and that the Washington summit would probably be held in early September.

US officials have said that they did not want the summit to be too close to the mid-term congressional elections in early November, to reduce the risk of it becoming entangled in what is likely to be a hard-hitting election campaign. Moscow, however, is reported to want more time to work on arms control agreements before the summit.

Mr Gorbachev was particularly forthcoming in his five-minute address which was squeezed onto the network screens between the traditional new year football games and parades. He laid heavy emphasis on the US-Soviet alliance in the Second World War and expressed the hope that the Geneva arms talks could succeed this year.

Mr Gorbachev said he accepted that the US people wanted to avoid war and that both sides "want the constructive Soviet-American dialogue to continue uninterrupted and to yield tangible results." It was absolutely essential to start "mending the existing deficit of mistrust in Soviet-American relations" he said.

"The gap dividing us is still wide, to bridge it will not be easy, but we saw in Geneva that it can be done", Mr Gorbachev added. He made only one apparent oblique reference to Mr Reagan's star wars defence programme, saying that in today's world it was "senseless to seek greater security for oneself through new types of weapons."

Mr Reagan was rather more forceful in defending the US system and, by implication, drawing attention to Soviet deficiencies. He spoke of the American people's strong attachment to individual, political and human rights and called for progress this year in solving humanitarian issues and ending regional conflicts.

He said that the Soviet Union, as well as the US, was actively engaged in research into new strategic defence technologies – a claim Moscow has frequently denied – and repeated his dream of a world free from nuclear weapons, protected by star wars-type defensive systems. Like Mr Gorbachev, he spoke of the need to build on the foundations of Geneva to reduce suspicions and mistrust.

Meanwhile, the New York Times reported that the Afghan Government had informally presented a timetable for the withdrawal of all Soviet troops from Afghanistan within a one-year period as part of an overall peace agreement. The initiative was said to have come during the latest UN-sponsored negotiations in Geneva last month.

Editorial comment, Page 12

Row over Westland resurfaces in UK

BY LIONEL BARBER AND BRIDGET BLOOM IN LONDON

THE CLASH between Britain's Ministry of Defence and the Department of Trade and Industry over the future of Westland, the helicopter manufacturer, has resurfaced despite Mrs Thatcher's efforts to cool the temperature in a Cabinet meeting before Christmas.

The divisions between Mr Leon Brittan, Trade and Industry Secretary, and Mr Michael Heseltine, Defence Secretary, currently centre on Mrs Thatcher's response to a letter from Sir John Cuckney, Westland's chairman.

Sir John asked the Prime Minister earlier this week to say whether Westland would face discrimination in future helicopter projects involving the UK and Europe if it opted for the Sikorsky-Fiat rescue plan.

Mr Heseltine, who backs rival rescue proposals from a four-nation European consortium is believed to be urging that, as a minimum, Mrs Thatcher should acknowledge in her letter to Sir John that European collaboration is an important aspect of government policy.

It is being suggested in Whitehall that if Mr Heseltine does not get such support from the Prime Minister, he will consider resignation, something he ruled out earlier last month as an "irrelevant issue."

However Mr Brittan, who is furious at what he sees as a campaign by Mr Heseltine's supporters to undermine the Sikorsky-Fiat proposal, is insisting that the Government is not bound by the "buy European" policy negotiated by Mr Heseltine and European defence ministers to back the European plan.

The way Mrs Thatcher phrases her reply is being seen as critical by all the parties involved. The Westland board is not expected to make a move on either offer until it receives Mrs Thatcher's response.

Background, Page 14

Occidental agrees to acquire MidCon in cash, shares deal

BY PAUL TAYLOR IN NEW YORK

OCCIDENTAL PETROLEUM, the Los Angeles-based US oil group headed by 87-year-old Dr Armand Hammer, yesterday emerged as a "white knight" in the takeover battle for MidCon by agreeing to acquire the US energy group in a two-step cash and shares deal valued at $3bn.

The deal, approved by the Occidental and MidCon boards, tops a sweetened $2.91bn hostile takeover bid by WB Partners, a partnership formed by two smaller southern US energy groups, Wagner & Brown and Freeport-McMoRan. This had been fiercely rejected by MidCon, one of the nation's largest gas pipeline groups.

If the deal is completed, it would be the first time a US oil giant has acquired a major interstate pipeline company and would create a new energy giant with $22bn in annual sales, ranking it as the 12th largest industrial group in the US.

WB Partners raised its initial offer by $7.50 to $70-a-share earlier this week. MidCon had resisted the bid by launching wide-ranging defensive moves including a $75-a-share buyback exchange offer for up to 10m shares, or 24 per cent of its common stock and adopting a "poison pill" anti-takeover defence. However, on Tuesday a federal judge in Chicago denied MidCon's requests for injunctions which would have halted the takeover attempt.

Under the terms of the two-step Occidental bid, which is subject to MidCon shareholder approval, Occidental plans to offer $75 per share in cash for 50 per cent of MidCon, which would then be followed by a merger in which each of MidCon's remaining outstanding common shares would be exchanged for 2.2472 Occidental common shares.

The agreed bid contains various "lock-up" options apparently designed to thwart any revised bid by WB Partners or other suitors. In particular MidCon has granted Occidental an option to acquire a controlling stake in its National Gas Pipeline unit which serves the Chicago area, and an option to acquire about 7.2m share stake in MidCon itself.

Occidental, which has recently been undergoing a major financial restructuring, reported net earnings of $643.3m, including a $220m special gain mainly from the sale of a stake in its Colombian subsidiary, in the first nine months of 1985

Canadian oil discovery, Page 2

CONTENTS

Three killed by security forces in South Africa

BY JIM JONES IN JOHANNESBURG

A LARGE crowd of black youths rampaged through Durban's beach area yesterday, setting fire to one police vehicle and stoning several cars.

The Durban disturbances appear to have been triggered more by high spirits than by political protest but they followed a number of incidents of violence elsewhere which were prompted by black political protests.

Police report that several attacks were made on police and private vehicles and official buildings in townships near Cape Town, Bloemfontein, Upington and Grahamstown. At least three people were shot dead by police and local government officials during the attacks.

In his new year's address to the nation, President Pieter Botha took a tough line against the nationwide black insurrection, apparently aimed at reassuring right wing supporters who have grown increasingly critical of the Government's tentative attempts at reform.

He told television and radio audiences he believed his Government's responsibility lay in maintaining "Christian values and civilised norms," which included language and cultural rights, protection of private property, the right to an independent judiciary and freedom of religion and worship.

But he was highly critical of external advice. He said that despite the reform which has taken place, "the world still demands more of us, without contemplating the disastrous results for our country."

The Government's tough approach was further underlined on new year's eve when Mr Louise le Grange, Minister for Law and Order, prohibited for six months gatherings by 74 anti-apartheid organisations in 30 magisterial districts, mostly in the eastern Cape.

Again on new year's eve, black activist Mrs Winnie Mandela appeared in court on charges of ignoring a ministerial banning order prohibiting her from entering Johannesburg and the black township of Soweto. She was released on bail of R500.

Mrs Mandela was arrested on Monday shortly after flying into Johannesburg's Jan Smuts airport after making Christmas visits to Mr Nelson Mandela, her imprisoned husband, in Pollsmore prison outside Cape Town.

Security police forced her car off the road and arrested her as she drove into the Johannesburg city limits.

Mrs Mandela has regularly refused to comply with terms of various banning orders.

Spaniards swallow reality of EEC

By David White in Madrid

TWELVE WAS the magic number as Spain celebrated its New Year and simultaneously crossed the border into the European Community: 12 for the 12 grapes which millions of Spaniards, following tradition, have to swallow for each midnight stroke of the clock, 12 for the 12 members of the enlarged EEC, and 12 for the 12 per cent of basic-rate value aded tax, the first, and so far only, visible change as a result of membership.

"If it were not for VAT," the Catholic daily newspaper Ya said in a headline on Tuesday, "nobody would realise that the doors of Europe were opening tomorrow."

Bus fares, train fares, bread and milk prices are among the New Year increases that Spain has woken up to in the brave new world of Europe. The authorities express confidence that other prices will come down — but are privately very concerned about the risk that Spain's EEC debut could be characterised by a spurt in inflation and not much else.

Yesterday, because of the holiday, there were no newspapers to commemorate Spain's final achievement of membership, its desire of more than 20 years. Today, when they come out again, readers will find that cover prices have gone up by 20 per cent.

The Government spared assiduous readers of its official gazette another kind of shock by holding back the distribution of a special edition containing 687 pages of "documents relating to the accession of the Kingdom of Spain and the Portuguese Republic to the European Community." Here, from quotas on cotton shorts to protection of the barnacle goose, is everything the EEC is really about.

Many Spaniards, as Mr Francisco Fernandez Ordoñez, the Foreign Minister, warned in an article this week, have been under the impression that they would be going to bed one day as members of the Third World and getting up the next as Europeans.

They were not, he said, going from zero to infinity in an "historic somersault." In terms of its links with the EEC, Spain was not starting at zero, and Europe in its present state was not infinity.

RETALIATION FOR AIRPORT RAIDS

Israel may go for Libyan targets

BY ROGER MATTHEWS, MIDDLE EAST EDITOR

THE LIKELIHOOD of Israeli military action against targets in Libya in retaliation for last Friday's terrorist attacks at Rome and Vienna airports has increased sharply in the past 48 hours.

The US and Israel have stepped up what appears to be a concerted campaign aimed at pinning responsibility for the attacks on the extremist Palestinian faction headed by Abu Nidal which the two countries claim is funded and trained by Libya.

Mr Shimon Peres, Israel's Prime Minister, said in a speech to Parliament yesterday that "unequivocal sanctions" had to be taken against countries which financed and supported international terrorism.

He repeated Israel's determination to strike against terrorists and asked why such international leniency had been shown towards Libya. "If this leniency is not stopped the war against terror will never succeed," he warned.

The US has already given its blessing for retaliatory action against the terrorists. Mr Larry Speakes, the White House spokesman said that "if we or any other nation can find out who they are and wipe them out, that is fine with us."

News agency reports from Washington claimed that President Reagan had received from the Joint Chiefs of Staff a list of military options, including air strikes against Libya.

A State Department report issued on Tuesday said that further terrorist acts should be expected from the Abu Nidal group if Libya continued its support. It said the group had carried out nearly 20 terrorist attacks in 1985 and had demonstrated a knack for operating in any country it chose, particularly in Western Europe.

The report described Abu Nidal's faction as "probably the best organised and most effective of the radical Palestinian terrorist groups."

It claimed that the concentration of Abu Nidal attacks on Western European targets had coincided with the strengthening of his links with Libya. "The likelihood of Libyan financing, safe haven and logistical assistance should be very helpful to his future international terrorist operations," it added.

A classified version of the State Department document was made available to other governments last month following the hijacking of an Egyptian airliner to Malta for which Abu Nidal was also blamed.

That incident led to a sharp increase of tension between Egypt and Libya. Egypt accused Libya of complicity in the hijacking and reinforced its military forces on the border amid speculation that Cairo was planning some form of retaliatory action.

Israel has demonstrated several times the range of its air power, most recently in October when it bombed the headquarters of the Palestine Liberation Organisation in Tunis.

With the US Sixth Fleet in the eastern Mediterranean able to offer considerable assistance to any strike force attacking Libyan targets and Egypt not posing any threat, the military option for Israel is highly viable.

This is appreciated in Libya where the regime is making belated efforts to distance itself from the terrorist attacks in Rome and Vienna. An official statement said the Libyan news agency had not reflected the government view when it praised the gunmen. Libya, it claimed, neither supported nor sponsored international terrorism.

There is a strong body of opinion in Israel which believes that the US should be closely associated with any retaliation against Abu Nidal and Libya. A spokesman for the right-wing Likud said in Parliament yesterday that "we must tell our American friends that Israel's courage cannot replace their own action against terrorism." He claimed there was growing resentment against the US expecting Israel to do "the dirty work" of striking back at terrorists.

Hussein-Assad summit benefits both sides

BY TONY WALKER IN AMMAN

SYRIA AND Jordan have advanced their reconciliation efforts, but fundamental differences remain on key Middle East questions such as the Gulf War and the peace process itself.

That is the assessment of observers in Amman, following this week's summit meeting between King Hussein of Jordan and Syria's President, Mr Hafez al-Assad.

No communique was issued at the end of extensive talks between the two leaders, their first meeting in six years. Jordanian officials are, nevertheless, describing the summit as a success. The chill that prevailed in relations appears to have dissipated. King Hussein and President Assad were pictured in warm embrace on the front pages of yesterday's Jordanian press, after their several days of talks.

Western officials note that King Hussein's mission to Damascus benefited both sides. First, it allowed the King to take out "insurance" against the possible failure of his peace initiative embarked on at the risk of antagonising hardline rejectionist states, such as Syria.

Second, it has reduced Syria's isolation in Arab forums and increased prospects for a full Arab League summit and a closing of ranks.

The Arab neighbours fell out over accusations that elements in Jordan were supporting Syrian dissidents. Tensions rose and troops mobilised on their common border late in 1980. King Hussein speeded reconciliation efforts by publishing an open letter last November in which he admitted mistakenly repudiating Syria's accusation.

Jordan and Syria continue to be at odds over support for the respective combatants in the Gulf War and in their attitudes to Mr Yassir Arafat, chairman of the Palestine Liberation Organisation.

Jordanian officials say, however, that these differences have not undermined efforts to improve relations.

Canadians make large Arctic oil discovery

By Bernard Simon in Toronto

AN OIL discovery which may be the largest ever in Canada has revived hopes of a commercial oilfield off the Canadian Arctic coast.

Gulf Canada, a subsidiary of Olympia and York, the Toronto real estate and natural resources group, said that results from a test well in the Amauligak structure beneath the Beaufort Sea indicated reserves of more than 400m barrels. The well is located about 45 miles north of the hamlet of Tuktoyaktuk in the north west territories.

Mr Keith Caldwell, Gulf's vice-president for exploration, said that the Amauligak structure "has the necessary characteristics to be the lead project for Beaufort Sea oil development." The discovery caps an 18-year search for oil off the Arctic coast, which is estimated to have cost participants around C$5bn (£2.5bn).

Much of it financed by generous government grants. A token cargo of oil was carried by an icebreaking tanker from Cameron Island in the high Arctic to Montreal last August, but the shipment was mainly a symbolic gesture.

Gulf estimated that one zone of the Amauligak structure, at a depth of around 12,200 feet, has a production capacity of 35,000 barrels a day. The well, known as Amauligak 1-65, was drilled in 105 feet of water.

Commercial production is tentatively scheduled for the early 1990s. Mr Caldwell said that an oilfield in the area is viable at current oil prices with present levels of government incentives.

Further discoveries are needed however, to justify construction of a pipeline linking the Beaufort Sea to the existing line from an oilfield at Norman Wells on the Mackenzie River.

Gulf Canada has a 52 per cent interest in the Amauligak discovery. Its partners include two Canadian companies, Husky Oil and Norcen Energy Resources, and Mobil Oil Canada. Exxon's Canadian subsidiary, Imperial Oil, and Dome Petroleum of Calgary, are also involved in Beaufort Sea oil exploration.

Mitterrand pledges to retain office even if Left defeated

BY DAVID HOUSEGO IN PARIS

PRESIDENT Francois Mitterrand told the French people yesterday that he would remain in office even if the Left was badly defeated in the parliamentary elections in March.

In a televised New Year message unusually political in tone, the President championed his administration's record declaring that inflation was at an 18-year low and that unemployment had ceased to climb for the first time in 16 years.

He also implicitly challenged a future right-wing government to reverse the social reforms brought in by the Socialists including the introduction of a fifth week's paid holiday and the possibility of early retirement at 60.

The markedly political tone of the message is a further sign of the President's intention to take an active part in the campaign which will move into high gear once the New Year holidays are out of the way.

Socialist and Opposition leaders have planned a heavy round of television appearances and public meetings in the ten weeks leading up to the elections on March 16. The opposition is to present formally their election platform on January 16 though the broad outlines of their programme of deregulation and denationalisation are already known.

In insisting that he will remain in office whatever the results in March, M Mitterrand's intention is to lay low the argument that a severe defeat for the Socialists would force him to resign.

Mr Raymond Barre, the former Prime Minister, is campaigning on the lines that a massive right-wing victory in March will leave Mr Mitterrand no choice but to step down.

President Mitterrand's reply in his New Year message was to say that as "the guarantee of national unity, I shall be the there to ensure the continuity of our institutions . . ."

Singapore sees second year of no growth

By Chris Sherwell in Singapore

SINGAPORE'S 2.5m people, who have enjoyed 20 years of economic growth averaging a remarkable 9 per cent a year, have been told to expect an unprecedented second successive year with no growth in 1986.

The warning came in a sombre New Year message from Mr Lee Kuan Yew, the Prime Minister since 1959, who said two full years of wage restraint and even wage cuts were now needed. "We must get back our competitiveness for a recovery," he declared.

Mr Lee said that Singapore's gross domestic product had contracted 1.7 per cent in 1985—slightly less than the 2 per cent figure he projected earlier — and announced that his Government was forecasting zero growth in 1986.

A total of 90,000 jobs had been lost over the past 12 months, he revealed, two-thirds of them involving foreign workers. Unemployment, already at 4 per cent, would rise to 6 per cent when last year's school-leavers sought jobs.

Real wages rose by 2.5 per cent in 1985, but productivity grew only 1.2 per cent.

On the recent controversial proposal to cut contribution to the Central Provident Fund (CPF), Singapore's compulsory saving scheme, he was cautious. Mr Lee has strenuously opposed such a policy-reversal in the past, and specifically identified the latest idea with his "younger colleagues."

But he did not rule it out, saying a two-year cut in employers' contributions was "one of their options." CPF savings, he acknowledged, would contract the economy unless they were channelled back into the private sector.

Nigerian budget plans promise radical structural changes

BY PATTI WALDMEIR IN LAGOS

IN A New Year's Eve message to the nation, Maj Gen Ibrahim Babangida, the Nigerian President, outlined a 1986 budget programme which aims to effect major structural changes in the Nigerian economy. The highlights of the budget are:

● Petroleum product subsidies: Government subsidies on petrol and diesel prices have been slashed, leading to a 100 per cent increase in petrol prices and more than a 150 per cent increase in diesel price. Kerosene, a major household fuel for average Nigerians, has not been affected.

Government expects to save N900m (£641m) through the move, at least 50 per cent of which is to be spent on rehabilitating some 60,000 kilometres of rural feeder roads to stimulate agricultural production.

● Exchange rate: President Babangida gave a clear commitment to reduce the overvaluation of the naira (which now trades at about 1/5th its official value on the black market), listing the adoption of a "realistic exchange rate policy" as a primary feature of Nigeria's economic recovery programme. He gave few details, although the budget implies a continued downward float of the naira rather than a one-off devaluation. He makes a passing reference to the introduction of a "second tier foreign exchange market," which bankers and businessmen in Lagos believe could involve the free sale or auction of a limited amount of foreign exchange held in local accounts by Nigerians. No details of the proposed system are given.

● Import liberalisation: A gesture is made towards liberalisation with the introduction of a new category of import licence which would allow individuals to finance imports with their own foreign exchange holdings, without recourse to the Central Bank.

President Babangida's New Year's address to the nation included his most explicit statement yet on the political future of the country, with a commitment to hand over power from the military to a new "participatory political system" (presumably civilian) some time after 1986.

Rigid rules, however, will still determine the allocation of all licences, including the new category, with agriculture and manufacturing industry the priority sectors. Imports of raw materials and spares are to boost capital utilisation in industry to 55 per cent in 1986 from about 20 per cent at present.

● Debt service: No more than 30 per cent of the foreign exchange budget for 1986 (projected at N9.582bn) is to be used for debt service. Bankers and businessmen in Lagos believe that the N2.9bn set aside for debt service will not even cover the service of medium- and long-term debt, leaving no funds available for the continued issue of promissory notes to cover several billion dollars in overdue trade debts.

Government is currently servicing some $1.2bn in overdue trade debts but Western diplomats and bankers believe that as much as a further $4bn to $4.5bn in legitimate insured and uninsured debts exist. Nigeria disputes this figure and is understood privately to be prepared to repay no more than $4bn in total (including notes already issued) and perhaps as little as $3.2bn.

● Import levy: A flat 30 per cent levy will be charged on all imports, in addition to all current duties. Government hopes to raise N1bn through this measure, to be used to promote non-oil exports.

● Export promotion: Various incentives, including provision for non-oil exporters to retain 25 per cent of export revenues for their own use, are to be introduced. Food exports, hitherto banned, are to be encouraged. Non-oil exports are to contribute 17 per cent of foreign exchange revenues in 1986, up from an average of 3 to 5 per cent in recent years.

● Counter trade: To be selectively encouraged, especially as a means of obtaining project finance.

● State-owned companies: Government subsidies to state-owned companies are to be halved and state holdings in some profitable sectors to be sold off.

● Agriculture: Food self-sufficiency is to be achieved within two years, and local processing and exports are to be encouraged. Structural barriers in the economy are to be removed to stimulate agriculture.

● Government spending: Expenditure is to rise sharply to N15.6bn from a budgeted N11.3bn in 1985, in what Maj Gen Babangida presented as a balanced budget. The overall defence budget is to be cut by 19.4 per cent.

Premier calls for calm in Pakistan

By Mohammed Aftab in Islamabad

MR Mohammed Khan Junejo, the Prime Minister of Pakistan, urged all politicians in a New Year's Eve appeal to stay calm so that the lifting of martial law could be given a chance to work. He also announced a number of economic measures aimed at reviving the sluggish economy.

Speaking on radio and television Mr Junejo said the lifting of martial law last Monday by President Zia ul-Haq, after eight and a half years has provided the country with a rare opportunity to establish and strengthen democratic institutions. It has opened up the possibility of future changes of government not brought about by violence or the imposition of martial law, as had happened in 17 of the 38 years since independence.

His economic measures are essentially an updating of the current sixth Five Year Plan, which was estimated to cost $38bn:

● A tripling of spending on education so that it will amount to 3 per cent of national income. The idea is to double the literacy rate to 56 per cent of the population.

● An increase in spending on public projects such as roads, electricity and health.

● A high powered agricultural commission will be set up with the aim of increasing farm output and reducing food imports.

East German guards may stop shooting at escapees

BY LESLIE COLITT IN BERLIN

THE WEST GERMAN Government sees a "possibility" this year that East Germany may withdraw its standing order to border guards to shoot at escapees. The orders to wound but not kill escaping citizens were suspended during the summit meeting last November between the Soviet and American leaders in Geneva according to diplomats in East Berlin.

The Ministry of Inner German Relations in Bonn said if the shooting of escapees was eliminated West Germany would close its legal office which registers East German border shootings as crimes. East Berlin has repeatedly demanded its closure in the past.

The Ministry said 21,000 East Germans were legally allowed out to West Germany up to December 1 last year. This was half the number of 1984 but it was still double the average annual emigration rate over the past decade.

West German officials believe East Germany can be encouraged to allow those citizens who would otherwise be tempted to escape to leave. In order to deter escapees however, East Germany has completed an electronic fence which is able to detect them before they reach the final border strip. The metal fence fitted with sensors has replaced automatic shrapnel guns and land mines which

Carrington begins visit to Spain

LORD CARRINGTON, Nato's Secretary General, is due to begin a politically delicate two-day visit to Spain today three months before the country votes in a hard-fought referendum on whether to remain in the Atlantic Alliance, Reuter reports from Brussels.

Prime Minister Felipe Gonzalez invited Lord Carrington for his first visit to Madrid at fairly short notice, apparently convinced that the former British Foreign Secretary could give Nato the right European image to sway undecided voters, Nato officials said.

Mr Gonzalez is hoping Spain's accession yesterday to the European Community will transform an anti-Nato majority in last year's public opinion polls into a vote to remain in the alliance, which it joined under a centre-right government in 1982.

Reginald Dale, US Editor in Washington, reviews the Commerce Department's weighty annual survey of US industry

Service sector set to lead healthy industrial growth in 1986

THE US industrial outlook for 1986, published by the Commerce Department yesterday, presents a healthy picture of broad-based growth, again led by the service sector. Introducing the compehensive annual survey, Mr Clarence Brown, deputy commerce secretary, said that the coming year should be a good one, "by and large better than 1985."

The weighty 648-page volume analyses the prospects for over 350 US industries, of which 216 are in the manufacturing sector, representing almost 80 per cent of US manufacturing output. It is based on the Administration's official assumption of a 4 per cent increase in real Gross National Product this year, with little growth in inflation.

Nearly 80 per cent of US manufacturing industry will increase shipments of goods in 1986, and the vast majority of service industries will increase their revenues, the outlook says. Growth will expand more uniformly across the spectrum of manufacturing industries than was evident in earlier stages of the current economic expansion.

Services, which now account for 68 per cent of GNP and 74 per cent of employment, will continue to lead GNP growth, Mr Brown said. But new service jobs were not at the expense of agriculture and manufacturing industry, where productivity was increasing, nor were they necessarily badly paid.

Growth in high-tech industries continued to be dramatic despite competition from abroad, but sustained growth was not restricted to these advanced sectors, Mr Brown said. Periodicals and envelopes, for example, had shown consistently healthy growth, while railroad equipment and printing machinery should gain significantly in 1986. The construction industry would expand by 6.0 per cent, up from 5.5 per cent last year.

Taken as a whole, 1986 will be the fourth consecutive year of increasing shipments by US manufacturing industries, the survey says. Median industry shipments are forecast to increase by 2.2 per cent (on a constant dollar basis), against 2.0 per cent in 1985.

Manufacturing industries not experiencing growth will decline from 30.1 per cent last year to 22.7 per cent in 1986 (against 67 per cent at the end of the last recession in 1982). "The low percentage of declining industries is an indication that 1986 will generally be a good year and is consistent with the more uniform rates of growth expected in 1986," the survey says.

More uniform shipments are primarily a consequence of last year's relatively laggard industries improving in 1986. Over one third of manufacturing industries are expected to set new records in shipments in the coming year. Both the fastest growing and fastest declining industries are in the durable goods sector, as high technology goods replace traditional products.

Of 13 industries which peaked before 1973, nine have suffered real shipment declines survey says. Four of these are in excess of 30 per cent, the leather and footwear industries, which have faced severe foreign competition, while paper goods industries lost markets to alternative packaging materials (see table on decline in shipments).

After reaching a peak in 1980, international trade has been falling as a percentage of US gross domestic product, as domestic production has grown faster, the survey notes. Between 1972 and 1980 international trade—imports plus exports of goods and services—grew from 13.1 per cent of GDP to 25.3 per cent, in current dollars.

During the recovery from the 1981-82 recession, however, imports grew at about the same rate as GDP, but exports did not increase. Total trade fell to 21.9 per cent of GDP in 1984.

The deterioration in the US trade balance in the same period has been "much greater than usual" during a recovery period, the survey says. The three major factors have been the strength of the dollar, the lagging recovery in some of the other major industrialised countries and the international debt crisis.

Mr Bruce Smart, commerce under-secretary for international trade, said that the rate of manufactured import growth was now slowing. "We expect 1985 to show an increase of 10 per cent compared with 36 per cent in 1984, and most of our analysts forecast a further slowdown in import growth for 1986," he said.

Mr Smart said that US industry was now in a much better shape to compete internationally and that the trade balance would start to improve in 1986. He cited the recent decline in the dollar, the discipline required by the so-called Gramm - Rudman balanced budget amendment, more comparable growth rates in the US, Western Europe and Japan, greatly increased US competitiveness over the past few years, and US productivity increases. But these favourable factors were more likely to result in reduced imports than increased exports, he cautioned.

1986 US Industrial Outlook, US Department of Commerce, (stock No: 003-008-00197-1), available from superintendent of documents, Washington DC 20402, $21.

FORECAST GROWTH RATES FOR 1986

TOP TEN MANUFACTURING INDUSTRIES	Growth in shipments' value %	LAST 10 MANUFACTURING INDUSTRIES	Decline in shipments value %	TOP 10 SERVICE INDUSTRIES	% Growth
Semiconductors	25.5	Turbine generators	−30.7	Mutual funds (assets)	36.5
Computers	23.2	Metal-forming machines	−12.5	Legal services (receipts)	12.0
Railway equipment	19.4	Primary lead	−9.0	Management/ consulting services (receipts)	11.4
Primary aluminium	12.7	Metal-cutting machines	−9.0	Life insurance (premium receipts)	10.0
Optical devices	4.0	Shipbuilding, repair	−8.3	Health and medical services	10.0
Telephone equipment	10.0	Footwear miscellaneous	−7.0	Savings institutions (deposits)	9.0
X-ray apparatus	9.9	Glass containers	−6.6	Motor vehicle dealers	9.0
Industrial furnaces, oven	9.4	Luggage	−5.6	Hotels/motels	9.0
Printing trade machinery	9.3	Leather clothes	−5.5	Commercial banking (deposits)	8.0
Cookies and crackers	9.0	Phosphatic fertilisers	−5.5	Franchising (franchisors' sales)	8.0

No figures available for last 10 service industries.

Percentage decline in shipments since 1972

	Decline in shipments' value %
Primary zinc	55.9
Women's footwear	53.9
Cigars	52.7
Men's footwear	39.6
Pressed/moulded pulpgoods	39.1
Leather tanning	33.9
Setup paperboard boxes	33.4
Rubber/plastic ...footwear	32.9
Brick and structural tile	31.9
Jewellery, precious metal	24.7
Hardwood mills	15.6
Food containers	12.1
Saw/planing mills, general	2.9

Rights restored to Bandaranaike

The political rights of Mrs Sirimavo Bandaranaike, twice Prime Minister of Sri Lanka, leader of the main opposition Freedom Party (SLFP) and President Jayewardene's only formidable political rival, have been restored by a presidential pardon, *Mervyn de Silva reports from Colombo.*

In October 1980 Mrs Bandaranaike was expelled from parliament and deprived of her political rights for seven years. This followed a report by a special presidential commission which inquired into "abuse of power" during the seven-year rule of Mrs Bandaranaike.

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$80bn likely to be spent on world's airports

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SOME $80bn (£56bn) is expected to be spent in the next 15 years on building airports and on modernising and expanding existing airports to meet the demands of air traffic growth worldwide.

A survey undertaken by Airports International magazine shows that virtually all leading world airports are to be expanded and modernised. Some of the work is already under way. The survey notes that only two wholly new airports are planned—at Denver and Munich.

The expansion programme stems from the belief that the 1985 total of 892m passengers world-wide on scheduled international and domestic services (or over 1bn if non-scheduled and charter passengers are included) is likely to double by the end of this century, if current growth rates are maintained.

The Far East has now become the fastest-growing area for airport development. China alone is planning 300 facilities to cope with its ambitious civil aviation plans.

Japan is planning to spend $15bn on construction at Tokyo and Kinsai, and Pakistan, Malaysia, South Korea and Taiwan are all spending large sums to upgrade international airports.

In the US, Denver will soon start building the largest international airport in the world, to cater for 100m passengers a year (against the present 45m handled by Chicago's O'Hare), with the first stage due to be ready by 1991.

Major expansion is also planned at New York's Kennedy airport (where a $1bn central complex is planned), and at Chicago, where a $1bn expansion is planned to cope with up to 85m passengers a year by 1995.

In Western Europe, the new 8m to 9m passenger Terminal Four at London's Heathrow opens in the spring, a 9m passenger terminal is being built at Gatwick, and plans are under way to expand Stansted in Essex up to 7m to 8m passengers a year. Large-scale expansion is also planned for Manchester International airport.

Major development plans are also planned for Amsterdam's Schiphol, Munich and Frankfurt. At Munich, plans for "Munich Two," costing $1.3bn, have been given the go-ahead. Situated 28 km outside the city, it is due to be ready for 3m passengers a year by 1991.

At Paris, Charles de Gaulle, a third passenger terminal, costing $95m, is planned for 1989, while in Amsterdam over $400m is to be spent over 10 years to take Schiphol's capacity from the present 16m to 20m passengers a year by 1995.

UK company in venture to boost China dairy herds

BY PETER MARSH

INTERNATIONAL EMBRYOS, a small British company, has formed a joint venture with the Chinese province of Guangzhou to develop expertise in breeding techniques aimed at increasing China's stock of dairy cattle.

The partners are each investing $125,000 (£87,000) in the Jinan International Embryos Centre, to be based in Guangzhou and to be closely associated with the Institute of Reproductive Immunology at Jinan University.

International Embryos, based in Banbury, has developed techniques in embryo transfer during work at Britain's Milk Marketing Board.

With these techniques, the company hopes to transplant fertilised embryos from China's small stock of dairy cattle to the much more numerous beef cows, so increasing the dairy population.

Mr Michael Leburn, chairman of International Embryos, said the joint venture would aim to expand the number of cows in Guangzhou from 40,000 to about 500,000 within five years.

The whole of China, with 1.1bn people, contains only 500,000 dairy cows and 100 times that number of beef cattle.

David Dodwell reports on one of the world's most formidable competitors

Hong Kong exporters triumph in adversity

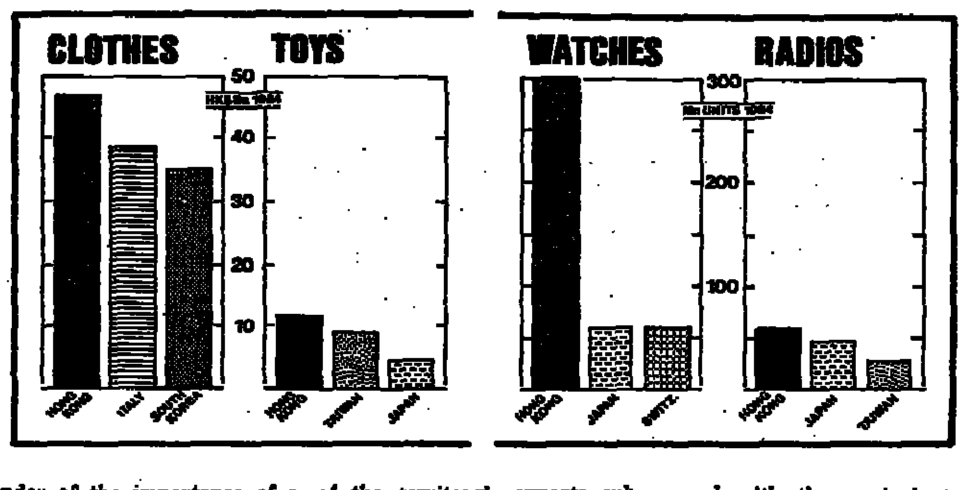
CORNER a Hong Kong industrialist and ask him to spill his innermost thoughts about the future of the territory's manufacturing industry, and you are likely to get a furrowed brow, along with irritable references to protectionism and world recession.

The textile sector, which accounts for about 40 per cent of exports, has faced protectionist threats from its main market, the US, and the electronics industry, also critically dependent on American sales, has suffered as recession has slashed demand for its products.

Hong Kong's famous shipping industry is a pale shadow of its former self, as the problems of the world's shipping industry have led to bankruptcies and a dramatic reduction in fleets. But figures released this week by Hong Kong's Trade Development Council show that this tiny territory with just 6m people and no natural resources remains a formidable competitor.

It is the world's leading exporter, in absolute value terms, of such items as clothing, fur garments, toys, artificial flowers, lanterns and believe it or not—candles. In volume terms it leads the world as an exporter of watches, radio-receivers and clocks.

At a time when talk has been of the revival of Hong Kong's role as an entrepot for China, the figures provide a timely reminder of the importance of a manufacturing sector that makes Hong Kong the 15th largest exporter in the world.



There can be no denying the problems facing exporters at present, which are expected to result in a fall in earnings from direct exports of about 10 per cent this year. It is easily forgotten, however, that this fall comes after a 26 per cent increase in 1983, and a 38 per cent rise in 1984.

The textile industry is perhaps the worst affected. A steady stream of "calls" by the US Administration against textile and garment exports has by now made almost 90 per cent of the territory's exports subject to quota limits.

Country of origin legislation imposed unilaterally early this year brought an end to subassembly work in mainland China, and forced exporters of knitwear to invest heavily in high-technology Japanese knitting machinery.

Despite these problems, Hong Kong remains the world's leading exporter of clothing, a position it has held almost continuously since 1973. Exports in 1984 were worth HK$46.7bn (£4bn), compared with the equivalent of HK$38bn by Italy, and HK$35bn by South Korea. Exports of fur garments were worth HK$2.3bn last year, compared with the equivalent of HK$1.3bn from South Korea and HK$1.2bn from Greece.

Toy exports were worth HK$11.5bn, compared with HK$9bn by Taiwan, HK$4.7bn by Japan, and HK$2.5bn by West Germany. As for candles, Hong Kong exported 9,400 tonnes last year, worth HK$144m. West Germany exported 8,890 tonnes, earning the equivalent of HK$117m, and the Netherlands came a distant third, earning HK$63m from just over 7,000 tonnes of exports.

Hong Kong still lags behind Switzerland and Japan in terms of its earnings from the sale of watches, but far outstrips them in terms of quantity. In 1984, Hong Kong exported more than 300m watches, compared with around 60m apiece for both Japan and Switzerland. Earnings amounted to HK$6.6bn, compared with an equivalent of HK$8.2bn for Japan and HK$11.7bn for Switzerland.

In 1984, The British Territory exported 59m radio receivers, compared with 49m by Japan, and 26m by Taiwan. Earnings amounted to HK$4.7bn compared with Japan's HK$22bn, and Taiwan's HK$6bn.

Since 1982, Hong Kong has been the world's leading exporter of clocks by volume. It sold 48m in 1984, compared with Japan's 19m and West Germany's 17.6m. Earnings amounted to HK$950m, compared with the equivalent of HK$1.3bn for Japan, and HK$1bn for West Germany.

It is often noted that China is keen to recover a stable and prosperous Hong Kong in 1997 because of its importance as a financial centre, earning foreign exchange for the mainland. It is clear that the territory's manufacturing sector is a critical factor too—even if it does at present seem to be beseiged by problems.

● China issued its first patents since the Communist takover in 1949 and promised to observe Patent Law, Reuter reports from Peking.

Pakistan awards pulp paper plant order

By Mohammed Aftab in Islamabad

KLOCKNER Stadler Hurter of Canada is to supply a $165m (£115m) pulp paper plant to Pakistan. A formal agreement is expected to be signed in March.

The plant will be established at Kamali, 250 miles south east of Islamabad by the Government-owned Punjab Industrial Development Board. Part of the plant, which will produce 66,000 tonnes of paper annually, is to be manufactured in Pakistan.

Mr Joe Clark, the Canadian External Affairs Minister, on a visit to Islamabad, this week signed eight agreements providing Canadian soft loans totalling $155m with Mr Mahbubul Haq, Pakistan's Finance Minister.

The loans will be used to develop water resources, expand social services and provide basic facilities in villages.

Indonesian aircraft

The US and Indonesia have signed a memorandum of understanding for the purchase by the US of Indonesian-made small aircraft for use in its Pacific territory of Guam, Agencies report from Jakarta. The aircraft is the 18-seater CN-212, which is produced in Indonesia by P. T. Nurtanio under licence from Spain's Construcciones Aeronauticas SA (CASA).

China ship order

United Shipbuilding of Shanghai has received orders for two car-carriers of 9,600 dwt each from the Christian F. Ahrenkiel company of West Germany, Reuter reports from Hong Kong.

Total cost is estimated at $60m (£42m). It is understood that 20 per cent of the cost will be paid in cash and the balance is guaranteed by a group of West German banks.

Quebec computer

Mors SA, a French electronics group, said its Canadian subsidiary Mors Technologies has won a C$21.5m contract to provide a computerised information system for Quebec's electricity network, Reuter reports from Paris. The contract, from Hydro-Quebec, includes 16 computerised centres for information gathering, processing and transmission to be installed within 30 months.

Taiwan sets up international trade centre

TAIWAN THIS week inaugurates a new international trade centre in Taipei which it is hoped will mostly simplify trading for buyers and sellers, Bob King writes from Taipei.

The government set the formal opening of the centre to coincide with Information Month, an annual event designed to bring the latest in computer automation and information science to the public. An exhibition of hardware and software products which started Tuesday now occupies the ground floor of the seven-storey, 47,000 sq m facility.

Planners hope to persuade 3,000 leading importers and exporters to exhibit in the centre, thus offering foreign businessmen a convenient one-stop look at the best of Taiwan's products.

UK clothes exports surge 24%

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

BRITAIN'S clothing and textile industries continued to break export records in the third quarter of 1985. Overseas sales of clothes were 24 per cent higher by value than in the same quarter of 1984 and textiles were 18 per cent up. Imports of both categories rose 8 per cent.

However, the months of July, August and September 1984 were affected by a docks strike making this year's export performance turn out better than might otherwise have been the case.

Over the first nine months of the year, a more meaningful comparison, exports of textiles and clothes rose 18 per cent, against a 10 per cent rise in imports, leaving a trade imbalance of £1.65bn, against £1.64bn a year earlier.

Mr Ian MacArthur, director of the British Textile Confederation, said yesterday that "the export picture is encouraging," but he warned that imports were close to, or even in some cases, above the record levels of 1984.

"Import pressure is inevitably going to increase, particularly with the changes in exchange rates that have taken place this year," he said.

The industry is particularly concerned at currency movements and fears it will give a big competitive advantage to low-cost Far Eastern producers.

So far this year sterling has risen 28 per cent against the Hong Kong dollar, 31 per cent against the Taiwanese dollar and 37 per cent against the South Korean won.

The US is moving increasingly towards a more restrictive import policy and British industry fears there will be a diversion of goods from the low-cost Asian producers to Europe. There could be "a devastating surge" of goods into Europe, according to Mr MacArthur.

The industry is also worried about the continued refusal of Turkey to agree to voluntary restraints on their exports. It accuses Turkey of distorting trade by subsidising investment, providing money for loss-making companies, paying export subsidies and dumping Turkish goods abroad.

Figures from the BTC show that imports into Britain of goods covered by the Multifibre Arrangement (MFA), the world accord that regulates much of international trade in clothing and textiles, rose 4 per cent by volume in the first nine months of this year.

The most substantial part of the rise came from Europe and the US.

Textile and Clothing Imports: First 9 months 1985. Report of the Import Surveillance Working Party, December 1985, BTC, 24, Buckingham Gate, SW1. £25.

US imports of steel fall 7.8% in 11 months

U.S. IMPORTS of steel declined 7.8 per cent over the first 11 months of 1985 and 23 per cent in November from year-earlier periods, AP reports from Pittsburgh.

Imports for 11 months of 1985 were 22m tons, amounting to over 25 per cent of the US market.

"This is several percentage points, and several million tons above President Ronald Reagan's goal of limiting steel imports to 20.2 per cent of the US market," said Mr Donald Trautlein, chairman of the American Iron and Steel Institute.

Another group, the American Institute for Imported Steel of New York, credited trade quotas negotiated by the Reagan Administration for reducing the average monthly imports from 2.2m tons to 1.5m tons from the first to fourth quarters.

Bomb deaths mark start of IRA's new year offensive

BY OUR BELFAST CORRESPONDENT

THE KILLING of two policemen at Armagh, Northern Ireland, only a minute into the new year was timed to show that the Irish Republican Army (IRA) would strike with increasing effectiveness this year, an official of the organisation said yesterday.

Two constables, aged 24 and 38 died when terrorists detonated a bomb hidden in a litter bin. A third policeman was seriously hurt. The patrol was checking shops in the centre of Armagh.

The attack confirmed that the Royal Ulster Constabulary would continue to be the main target of the IRA's campaign. Last year 23 police officers were killed by terrorists, the highest casualty list since 1976.

The IRA issued a statement saying the timing was chosen to show that it planned to strike with increasing effectiveness throughout 1986. They said the arrival of an extra 550 British troops to the province would not deter them.

The murders were condemned by Unionist and nationalist leaders. Cardinal Tomas O'Fiaich, the Roman Catholic primate of Ireland, preaching at a service for peace in Armagh, said the killings were "a deplorable atrocity" which showed no respect for human life.

Mr Seamus Mallon, deputy leader of the Social Democratic and Labour Party, the main nationalist party, said: "This callous and calculated act, carried out before church bells ceased ringing in the new year, shows that 1986 will be another year of murder and hatred."

Mr Tom King, the Northern Ireland Secretary, in a new year message, said the real proof of the recent Anglo-Irish agreement would come from its deeds.

BASE LENDING RATES

ABN Bank	11½%
Allied Dunbar & Co.	11½%
Allied Irish Bank	11½%
American Express Bk.	11½%
Amro Bank	11½%
Henry Ansbacher	11½%
Associates Cap. Corp.	12 %
Banco de Bilbao	11½%
Bank Hapoalim	11½%
Bank Leumi (UK)	11½%
BCCI	11½%
Bank of Ireland	11½%
Bank of Cyprus	11½%
Bank of India	11½%
Bank of Scotland	11½%
Banque Belge Ltd.	11½%
Barclays Bank	11½%
Beneficial Trust Ltd.	12½%
Brit. Bank of Mid East	11½%
■ Brown Shipley	11½%
CL Bank Nederland	11½%
Canada Permanent	11½%
Cayzer Ltd.	11½%
Cedar Holdings	12 %
■ Charterhouse Japhet	11½%
Citibank NA	11½%
Citibank Savings	¶12⅛%
City Merchants Bank	11½%
Clydesdale Bank	11½%
C. E. Coates & Co. Ltd.	12 %
Comm. Bk. N. East	11½%
Consolidated Credits	11½%
Continental Trust Ltd.	11½%
Co-operative Bank	*11½%
The Cyprus Popular Bk	*11½%
Duncan Lawrie	11½%
E. T. Trust	11½%
Exeter Trust Ltd.	12 %
Financial & Gen. Sec.	11½%
First Nat. Fin. Corp.	12½%
First Nat. Sec. Ltd.	12 %
■ Robert Fleming & Co.	11½%
Robert Fraser & Ptrs.	12½%
Grindlays Bank	‡11½%
■ Guinness Mahon	11½%
■ Hambros Bank	11½%
Heritable & Gen. Trust	11½%
■ Hill Samuel	§11½%
C. Hoare & Co.	†11½%
Hongkong & Shanghai	11½%
Johnson Matthey Bkrs.	11½%
Knowsley & Co. Ltd.	12 %
Lloyds Bank	11½%
Edward Manson & Co.	12½%
Meghraj & Sons Ltd.	11½%
Midland Bank	11½%
■ Morgan Grenfell	11½%
Mount Credit Corp. Ltd.	11½%
National Bk. of Kuwait	11½%
National Girobank	11½%
National Westminster	11½%
Northern Bank Ltd.	11½%
Norwich Gen. Trust	11½%
People's Trust	12 %
PK Finans. Intl. (UK)	12 %
Provincial Trust Ltd.	12½%
R. Raphael & Sons	11½%
Roxburghe Guarantee	12 %
Royal Bank of Scotland	11½%
Royal Trust Co. Canada	11½%
Standard Chartered	§11½%
TCB	11½%
Trustee Savings Bank	11½%
United Bank of Kuwait	11½%
United Mizrahi Bank	11½%
Westpac Banking Corp.	11½%
Whiteaway Laidlaw	12 %
Yorkshire Bank	11½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 8.00% gross.
‡ 21-day deposits over £1,000 9.25%.
§ Mortgage base rate.
¶ Demand dep. 8%. Mortgage 13%.

New GM model for British market

GENERAL MOTORS (GM) yesterday announced a new model for Britain, the Belmont, which the Vauxhall-Opel group expects to boost its share of the UK car market from 17 per cent to 18 per cent this year, Kenneth Gooding writes.

That would give GM the same market share as BL's Austin Rover subsidiary and fighting for second place behind Ford in Britain. The new model will also enable the US group to increase both the number of cars it builds in the UK and the British content of those vehicles.

GM will spend £2m on launch promotion for the Belmont - starting January 15 when the model goes on sale - and expects to sell 37,000 this year, rising to 41,000 in 1987.

The Belmont will compete in the UK mainly with Ford's Orion, which had sales of 60,856 in the first 11 months of 1985 and a market share of 3.47 per cent.

Ford is soon to introduce changes to the Orion - and to the Escort from which it is derived - including a new front end and interior styling, with the aim of giving sales renewed impetus.

Austin Rover group's Rover 200 series, of which 42,039 were registered by the end of November, also competes in the same sector as GM's new model.

Belmont is based largely on the Opel Kadett/Vauxhall Astra, launched at a cost of £400m by GM in the autumn of 1984, but it has a boot instead of a hatchback.

□ UNITY TRUST, the UK trade unions' banking institution, becomes a public limited company today, 18 months after it was launched. The change from private company status is a prelude to widening the ownership of the bank and raising more capital, possibly £10m according to Mr Terry Thomas, the managing director.

In its first full financial year which ended on December 31, Unity Trust made a pre-tax profit of about £200,000, and its balance sheet on that date was about $35m. This represents a return of some 5 per cent for the founder trade unions who put up the initial £4m investment to get it going.

□ HOUSE prices rose by an average of 10 per cent in Britain last year according to the Nationwide Building Society.

This relatively high average masks continuing wide differences between the north and south of the country. There is also a widening gap between the price of old and new property. The average price of new properties rose by 15 per cent.

□ SALMONELLA traces have been found in dust from a cleaning system at the Farley Health Products factory at Kendal, Cumbria. The discovery came after investigations at the plant and the withdrawal from sale of a range of food products. Parents were warned before Christmas to stop feeding babies certain food products which had been statistically associated with a salmonella infection.

John Hunt reads Cabinet papers of 30 years ago

Determined effort to suppress Burgess and Maclean affair

THE WAY in which the Conservative Government of 1955 managed to suppress the facts over the scandal of Guy Burgess and Donald Maclean, the British diplomats who defected to the Soviet Union, is disclosed in the Cabinet papers for that year.

The minutes and memoranda, previously confidential but now released by the Public Record Office under the 30-year rule, show that the Cabinet was determined at all costs to prevent a public inquiry into how the two diplomats continued to spy undetected for so long before absconding in 1951.

Sir Anthony Eden, the Prime Minister, and other ministers, reacted with dismay to the mounting public pressure for an inquiry. Their attitude was demonstrated by a secret memorandum from Mr Harold Macmillan (now the Earl of Stockton) who was then Foreign Secretary.

Writing in the inimitable Macmillan style it declared: "Nothing could be worse than a lot of muck raking and innuendo. It would be like one of those immense divorce cases which there used to be when I was young, going on for days and days, every detail reported in the press."

He ruled out as too dangerous a tribunal of inquiry or an investigation by a select committee of the House of Commons. Nevertheless, he agreed that something had to be done to placate public opinion. "There are certain questions which have been pushed hard by the press which will have to be answered," he admitted. "It will not be very easy to make a wholly convincing defence of what has happened in the past."

He proposed a general inquiry into the problems of security arising from industrial and administrative employees having access to classified material. This would be an inquiry "not into the past but into the future" and would avoid going into details of the Burgess and Maclean affair. As Macmillan put it: "The public will feel that something is being inquired into."

The inquiry team would include a judge, civil servants, representatives of industry and perhaps academics. It would also include trade unionists because, said Macmillan: "Even now it is possible for Marxist labour leaders to penetrate in the course of their trade union business into establishments where some work of the highest importance is being carried out."

Even this ingenious solution was greeted with horror by other ministers, who feared that such a limited inquiry might be transformed into a full investigation into the Burgess and Maclean scandal. The Prime Minister and Mr Gwilym Lloyd-George, the Home Secretary, favoured a "confidential inquiry by government and opposition leaders." The Cabinet rejected the Macmillan solution and decided that "pressure for a public inquiry of any kind should be resisted."

In the debate which followed in the House of Commons in November 1955 the Labour opposition agreed to the setting up of a small informal conference of privy councillors (advisers to the Queen) of both parties to examine existing security procedures.

Mr Clement Attlee, Labour leader, was only too happy to go along with this anodyne solution as the defection of the two spies has taken place under his administration when Mr Herbert Morrison had been Foreign Secretary. A public inquiry would have been as embarrassing to Labour as to the Tories.

Suez raised world war fear

IN OCTOBER 1955, a year before the Suez conflict, Sir Anthony Eden warned the Cabinet that hostilities might break out in the Middle East and lead to a third world war. Ironically, the danger he envisaged was of a war between Israel and Egypt, with America entering the conflict on the side of Israel.

In the event, the Suez crisis of the following year, saw Britain, France and Israel lined up against Egypt, America intervened in an attempt to halt the fighting.

In October, 1955, Mr Harold Macmillan, reported to the Cabinet that the Egyptian Government under President Nasser had entered into an agreement to buy arms from the Soviet bloc.

The Soviet Union was making similar overtures to supply arms to Saudi Arabia, Syria and other Arab countries. Mr Eden, who had recently taken over the premiership when Winston Churchill retired, said that government policy must be to protect Britain's vital oil interests in the Middle East.

At the meeting of foreign ministers in Geneva later that month, he said Britain should impress on Mr Molotov, the Soviet Foreign Minister, the dangers of recent Russian moves in that area. Mr Eden foresaw a real danger that war might break out between Israel and Egypt in which the Americans would support Israel.

He thought the supply of arms to Egypt seriously affected British interests. Because of its dependence on Arab oil, the UK's interest in the area was greater than that of the Americans.

Britain should therefore be prepared to act in that area without the agreement of the US and feel free to pursue its own policies in the light of its own interests. That was just what the UK did 12 months later during the Suez affair.

Mr Macmillan said he had set up a working party to decide on action to protect British oil interests

"Both the Egyptians and the Saudi Arabians have been attempting to undermine our position in the area and it is evident that the Russians are now working to spread their influence there," the Foreign Secretary told the Cabinet. Nevertheless he urged that Britain should still adopt a policy of moderation towards Egypt.

The best policy, it was concluded, was to attempt to isolate Egypt among the other Arab states.

First electronic step in gilts market

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE BANK OF ENGLAND takes an important step in its preparations for the so-called big bang in the City of London today with the launch of the first phase of its computer system for the market in government stocks (gilts).

Starting today, the paper-based market becomes partly computerised. A second phase due for later this year is intended to make the market largely electronic in time for October 27 when the UK securities markets are deregulated.

The modernisation affects the operations of the Central Gilts Office (CGO), the clearing house for transactions in government securities which is operated jointly by the Bank and the stock exchange.

Phase one will permit members of the CGO, who are dealers and stock exchange money brokers, to transfer stock by means of book entry instead of the traditional stock transfer forms. Initially, the facility will be available mainly for investors who lend rather than sell stock.

In phase two, the CGO will introduce a system of assured payments in which banks will guarantee payment for gilts purchases, eliminating the small measure of uncertainty in the present cheque-based system. Banks will have a lien on the gilts until their own clients pay them.

By phase two, all the 29 new primary dealers in the gilts market and the inter-dealer brokers will also be on the book entry system, and all market participants will belong to a data network run by the stock exchange.

The Bank and the stock exchange will shortly be circulating proposals for charges for using the system. The stock exchange intends to recoup its investment costs, but the Bank will be charging only operating expenses, which are expected to amount to £2.8m a year.

The computers are located at the Bank's New Change building, with a standby site available at the stock exchange. The equipment has a twin system which can withstand breakdown and power failure, and has been designed to handle peak volumes several times higher than current daily average trades of 3,000-3,500 bargains a day.

● UK foreign exchange and money brokers have embarked on negotiations with their client banks for new charges after the expiry of fixed commissions at the end of the year.

The move to freely negotiated commissions means that users of the foreign exchange and Eurocurrency markets in London will face more volatile costs. Bankers do not expect the change to make much basic difference to brokerage rates since they have already been able to negotiate large volume discounts from the official foreign exchange tariff.

The change also means that London – the world's leading foreign exchange market – becomes like other financial centres where commissions are not fixed.

The abandonment of the fixed rate structure follows agreement between the brokers, the British Bankers Association and the Bank of England that the two-year tariff set at the end of 1983 should be the last.

The Bank of England had been overseeing foreign exchange broking commissions since 1978 when a tariff was introduced to protect UK brokers from foreign competition. The Bank has had to justify its intervention regularly to the EEC since then, but it now believes fixed commissions should be ended, in line with the deregulation that is taking place elsewhere in the City of London.

Foreign exchange commissions are set as a percentage of the value of a transaction. Because of the intense competition that exists between brokers for bank business, the official tariff has been little more than a starting point for bargaining, with big banks generally ending up paying less than small ones. Brokers are expected to bargain hard to preserve their margins, particularly with the smaller banks.

: Brokers account for possibly half of the $50bn that is traded on the London foreign exchange market every day.

Murdoch rejects jobs for life

By Our Labour Staff

MR RUPERT MURDOCH'S News International, which has announced it is to begin operations at its new newspaper printing plant in east London without union agreement, has rejected union claims for a guarantee of lifetime employment for union members at both the company's new and old printing sites.

In a letter to the company on December 23, Mr Bill Miles, national newspaper officer for the general print union Sogat '82, but acting also for the NGA craft print union and the AUEW engineering workers' union, seeks such a guarantee both for members at the Sun, News of the World, Times and Sunday Times, and for members at the company's new Wapping site.

The unions are also seeking offers of full employment, with index-linked pay increases, and with all existing union agreements, at the new site.

Mr Miles also gives a warning: "We would wish to avoid taking industrial action, but if you are not prepared to discuss these matters with us, and guarantee our members' employment and conditions, you leave us no alternative course of action."

The company, which has been seeking a legally-binding, no-strike deal at Wapping, sharply criticises this threat of industrial action, and rejects the unions' claims.

Mr Bill Gillespie, managing director of Times Newspapers (TNL), but writing on behalf of News Group, News International's subsidiary, as well as TNL, says that neither company "can properly undertake the risks involved in guaranteeing lifetime employment to the members of three unions" and rejects as "very wrong" automatic pay indexation.

Mr Gillespie also says in relation to the unproductive negotiations for an agreement at Wapping to cover the printing of the London Post, the new paper for the capital planned by the company: "All that has been established to date is that the three unions (ie Sogat, NGA and AUEW) on whose behalf you are writing will not be recognised by London Post (Printers) Ltd."

In a separate letter to Miss Brenda Dean, Sogat general secretary, Mr Bill O'Neill, News International principal negotiator on Wapping, insists on the legal enforceability of any agreement with the unions, and says: "Strikes – official or otherwise – are damaging to us and at Tower Hamlets (the Wapping plant) we want to move away from that type of acitivity."

Ethnic minorities suffer highest rate of unemployed

BY PHILIP BASSETT, LABOUR CORRESPONDENT

UNEMPLOYMENT AMONG ethnic minorites in the UK is markedly higher than among whites – with unemployment among Pakistanis and Bangladeshis three times that of whites, according to Government figures published yesterday.

The figures in the Department of Employment's Gazette provide solid evidence to support the drive begun at the end of last year by Mr Peter Bottomley, an employment minister, for companies to ensure that they are not discriminating against ethnic minorities."

Commenting on the new figures, Mr Morrison said yesterday that employers should not be satisfied simply with having an equal opportunities policy. "Indirect discrimination, where unjustifiable conditions are imposed on a greater proportion of people from one racial group rather than another, is still widespread," he said.

Emphasising that judgment should be based on merit, ability, work and skill, Mr Morrison added: "We are against positive discrimination. We don't want anyone to feel that they have got a job just because of their colour or background."

He emphasised, too, the steps the Government was itself taking on the subject by carrying out an ethnic monitoring programme, aimed at covering the whole of the Civil Service by mid-1986, which would allow the Government to assess the position and then develop policies to overcome any difficulties.

The Gazette's findings show that by every measurement – age, occupation, industry, region, qualifications – unemployment rates are higher for the ethnic minorities than for whites with similar characteristics.

Strike activity lessens

BY OUR INDUSTRIAL CORRESPONDENT

BRITAIN is likely to lose well under 6.5m days through strikes in 1985. Removed of the impact of the miners' strike, days lost through stoppages are likely to be under 2.5m.

Figures published yesterday in the Employment Department's Gazette show that 167,000 days were lost in November – two-thirds of them from only three stoppages, with the long-running teachers' dispute alone accounting for the loss of about 80,000 working days.

Preliminary figures for the full year will not be published until the end of this month. November's figure takes the 1985 total to 6.173m, and with December traditionally a quiet month for strike activity a final total for the year of well under the 6.5m looks certain.

The 1984 total of 27.1m days was inflated by the miners' strike, which has pushed the figure for 1985 up by more than 4m lost days. Taking out the coal strike figures shows underlying strike activity to be very low.

● The average British household spent £152 a week in 1984, with each person spending an average of £58, according to preliminary figures, published in the Gazette, from the forthcoming Family Expenditure Survey.

Low-income, one-person pensioner households spent on average £39 a week, but households with a couple and two children spent an average of £197.

Housing, food and fuel accounted for 43 per cent of all household expenditure.

Employment Gazette, December 1985, SO, 49, High Holborn, London, WC1. Annual subscription: £35.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1984							
4th qtr.	103.5	101.3	105	112.7	164.0	3,103	153.9
1985							
1st qtr.	106.0	102.7	104	113.3	133.9	3,138	153.6
2nd qtr.	108.2	103.5	109	115.0	141.4	3,174	161.7
3rd qtr.	107.8	102.8	93	116.4	145.2	3,179	164.4
March	107.2	103.6	103	113.9	136.5	3,147	156.1
April	108.2	103.3	100	113.5	140.3	3,176	161.0
May	108.2	102.7	110	115.3	142.0	3,177	160.7
June	108.3	104.5	117	116.0	141.8	3,169	163.4
July	107.0	102.3	88	116.0	146.9	3,175	163.0
August	107.3	103.0	96	117.5	145.4	3,183	162.9
September	109.1	103.2	96	115.9	143.7	3,179	167.3
October	108.8	104.0		114.1	149.7	3,173	172.6
November				117.1		3,165	170.0

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consumer goods	Invst. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1984							
4th qtr.	102.5	98.6	106.2	100.0	106.0	99.3	13.3
1985							
1st qtr.	102.6	102.2	109.3	103.3	111.5	99.0	13.8
2nd qtr.	102.4	103.5	113.2	104.4	116.3	99.2	18.6
3rd qtr.	103.2	101.7	112.8	102.6	117.5	101.0	17.1
March	102.9	104.1	110.5	105.0	115.0	100.0	16.6
April	102.1	103.0	113.5	104.0	115.0	99.0	17.9
May	101.5	103.0	113.9	104.0	116.0	98.0	19.9
June	103.7	104.5	112.3	106.0	117.0	101.0	17.9
July	102.1	101.3	111.8	102.0	117.0	100.0	18.4
August	103.6	101.2	111.9	103.0	119.0	[illegible]	15.5
September	103.9	102.7	114.7	104.0	117.0	102.0	17.4
October	104.3	104.8	112.8	104.0	115.0	100.0	20.2

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); excluding reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Resv. US$bn*
1984							
4th qtr.	119.7	129.1	−1,313	+424	+1,468	96.6	15.52
1985							
1st qtr.	120.5	128.5	−1,283	−535	+1,862	96.5	13.53
2nd qtr.	120.6	126.0	−222	+1,183	+2,368	98.2	14.32
3rd qtr.	115.0	123.1	−150	+250	+2,042	100.6	14.18
March	119.6	136.8	−977	−704	+260	96.5	13.53
April	121.8	130.2	−259	+210	+687	97.3	14.03
May	121.7	121.0	+252	+721	+838	98.3	13.98
June	118.4	126.9	−216	+252	+843	99.1	14.32
July	117.0	123.0	−77	+323	+663	99.4	14.26
August	113.4	123.3	−236	+164	+626	101.3	14.26
September	114.6	124.7	−230	+170	+644	101.1	14.18
October	119.1	123.7	0	+400	+760	101.2	16.31
November							15.98

FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); building societies' net inflow; HP, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank advances %	BS inflow £m	HP lending £m	Base rate %
1984							
4th qtr.	9.6	24.3	13.4	16.9	2,492	2,946	9.63
1985							
1st qtr.	2.2	0.7	9.1	15.2	1,511	3,146	13.50
2nd qtr.	5.1	32.4	20.4	19.2	1,523	3,064	12.50
3rd qtr.	5.5	15.4	11.6	17.5	1,771	3,380	11.50
March	−1.3	−1.2	9.2	16.0	214	965	13.50
April	5.4	22.2	18.8	19.5	507	1,061	12.63
May	4.2	33.2	18.4	17.7	615	1,042	12.63
June	5.7	44.6	25.1	20.2	401	961	12.50
July	4.4	19.1	8.3	16.8	650	1,129	11.50
August	2.4	22.9	14.4	21.8	524	1,126	11.50
September	1.1	8.2	12.3	14.1	597	1,125	11.50
October	−1.5	24.9	19.8	18.7	798	1,147	11.50
November	3.0	21.5	20.4	17.6	638		11.50

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (1974=100); FT commodity index (July 1952=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	FT* comdty.	Strlg.
1984							
4th qtr.	164.1	140.1	134.3	358.3	326.8	289.64	74.1
1985							
1st qtr.	165.4	146.2	136.6	362.9	332.8	295.22	72.0
2nd qtr.	170.3	138.8	139.4	375.3	339.4	278.13	78.9
3rd qtr.		133.1	140.2	376.3	335.5	251.12	82.2
April	169.4	140.8	139.2	373.9	338.8	295.08	78.0
May	169.4	138.8	139.5	375.6	339.3	279.98	78.7
June	171.9	136.7	139.6	376.4	340.1	278.13	79.9
July	173.7	133.9	139.9	375.7	335.3	259.51	83.6
August	173.4	132.8	140.1	376.7	335.3	254.34	81.6
September	176.1	132.7	140.5	376.5	335.8	251.12	81.4
October	174.0	131.3	140.8	377.1	335.5	249.46	80.4
November		131.9	141.4	378.4	337.4	n/a	80.0

* Not seasonally adjusted.

A significant event in banking history.

1+1=1.

Lloyds Bank International to merge with Lloyds Bank Plc

THE merger of Lloyds Bank International with Lloyds Bank Plc is scheduled to take place in January 1986.

Sir Jeremy Morse, chairman of Lloyds Bank, said that it should benefit customers, staff and shareholders alike. The merger is designed to create a "leaner, stronger, more efficient group" and reflects Lloyds Bank's commitment to develop its international business.

The benefits of the merger lie in trading under one name, using the group's capital more efficiently, reducing the group's tax charge and the efficient development of new technology.

A strange piece of arithmetic for an international bank, to be sure.

But one which nevertheless reflects what happened on 1 January 1986.

For it was then that the legal formalities for the merger of Lloyds Bank International Limited and Lloyds Bank Plc were completed.

In doing so, we strengthen our position as a major force in the international banking arena.

Some customers around the world will already be aware of the way we have reorganised into five specialist business units.

Corporate Banking, UK Retail Banking, Treasury, International Banking. And of course Merchant Banking.

For many, there will be no immediate difference in the way in which they deal with this unified structure.

Yet behind the scenes, the new arithmetic is rapidly adding up.

On the financial front, we will be able to make more efficient use of our capital.

Whilst the advantages of a single pool of liquidity will benefit our customers just as much as ourselves.

Our funding and tax affairs management will be similarly improved.

And the advantages of operating from a single balance sheet are well recognised in financial circles.

Operationally, greater efficiency will result from an integrated approach to the management of technological change.

This will pave the way for us to provide an even better quality service to our diverse range of customers.

As we move forward into an even more competitive age, Lloyds Bank is setting out to become a leaner and even better managed international bank.

Lloyds Bank

A THOROUGHBRED AMONGST BANKS.

Lloyds Bank Plc., 71 Lombard Street, London EC3P 3BS.

TECHNOLOGY

Beware the gap that may be too wide to bridge

Alan Cane warns of the dangers facing those who fail to keep up with change

SOME 35,000 years ago, Neanderthal man, more ape than human, coexisted on Earth with Homo sapiens, modern intelligent man.

30,000 years ago, a mere 5,000 years later, Homo sapiens had inherited the Earth. The archaelogical record shows that the disappearance of Neanderthal man and the emergence and dominance of Homo sapiens was coincident with a dramatic change in the technology of the day.

New materials like bone and ivory came into use. Throwing spears and the bow and arrow became common. New manufacturing technologies like drilling and grinding were adopted.

These new technologies resulted from innovation and adaption by modern man. Neanderthal man neither innovated technologically nor adapted the new technologies for his own purposes;

The lesson for industrial societies at a time of great technological change is clear. Certain key technologies can exert leverage on the fabric of industry and society which is out of all proportion to their intrinsic value or to the resources necessary to develop them.

Companies and nations ignore these key, catalytic technologies at their peril.

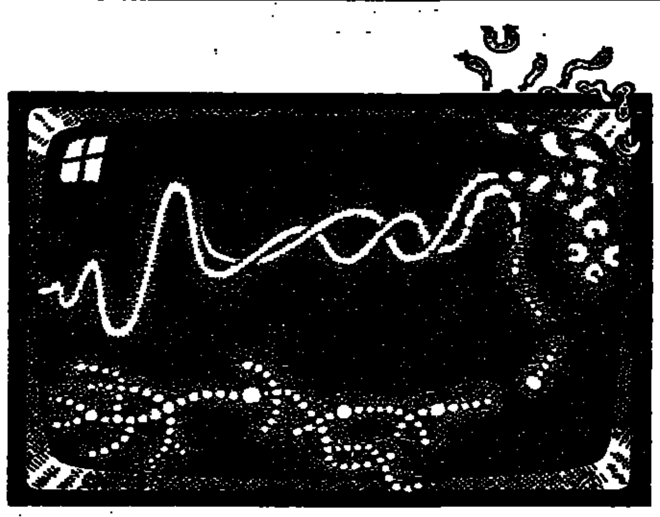
George Champine of the US computer company Sperry argues that any time a characteristic in technology changes by a factor of ten, it causes a revolution in life style.

"In transportation, a horse walked at five miles an hour, an automobile moved at 50 miles an hour (in 1895) and a commercial jet aeroplane moved at 500 miles an hour (starting in 1960). Thus, there were two life-style revolutions spaced 65 years apart."

'The products of a particular process are returned to its starting point to make it go faster'

In computers, however, there have been two revolutions in less than 20 years. The first brought a factor of 1000 per cent improvement, the second another factor of 100 per cent improvement *before the first could be absorbed.*

It can be shown that improvements are occurring in cost/performance in commercial data processing at a rate of a factor of ten every decade. Contrary to expectations, there is no sign that the rate of advance will slow as physical limits are reached.



These improvements in information engineering have come about, as is well known, as the result of massive jumps in microelectronics. Developments in microelectronics have stimulated dramatic growth in the computing technologies and these have fed back into biology, into materials science, into chemistry and telecommunications.

What in fact has been set up is a positive feed-back loop, a phenomenon well understood in science, where the products of a particular process — a chemical reaction, say, or the amplification of an electronic signal — are returned or fed back to the starting point of the reaction in a way which makes it go faster and faster.

This is what seems to be happening today in modern technology; the result is an explosion of activity which is accelerating all the time and which is already out of control

So there is substantial enlightened self-interest in the kinds of international co-operation we are seeing today as companies and countries pool their efforts to make progress in the fundamental technologies.

The acceleration in the rate of technological development seems inexorable to judge from progress in the semiconductor industry.

1965 was the date at which small scale integration of components became possible — these contained the equivalent of about 10 data processing logic elements per silicon chip.

Medium scale integration, involving some 30 or 40 logic elements on a chip, became possible in 1970 and large scale integration with 100 elements per chip became commercially available in 1975.

Very large scale integrated chips (VLSI), today's technology were commercially available around 1980 and now contains 1,000 or more logic elements.

Already major semiconductor manufacturers are using beams of electrons to trace the intricate patterns necessary on the surface of the silicon, making it possible to etch the individual circuit lines with only a millionth of a metre separating them.

Chips manufactured in this way will have the potential to handle 32 individual bits of information at a time or to store one million or more bits of information

Such chips are already on offer from some manufacturers in the US and Japan; their competitors are already looking forward to the next generation of chips.

The software side of the equation is far less tractable. Computer software is still waiting for its own technological miracle.

Lack of that miracle is already slowing the development of technology; any breakthrough in the generation of provably correct software will add a boost as significant as the development of the transistor

Chip making at National Semiconductors' laboratory in California

Now there are fourth generation languages, a first step on the way to automatic programming where the customer simply feeds in a string of requirements and the computer generates the necessary programs

The advantages of fourth generation languages are many. They include reduced likelihood of software errors, increases in productivity of the order of 10:1 and a reduced need for extensive technical expertise.

They also make possible software prototyping, exactly analogous with prototyping in motor vehicle manufacture.

The fact remains that the fast generation of accurate software is the biggest problem in information technology today.

Large scale and complex computer systems operating in real time—the kind of systems needs for air traffic control, for example, are notoriously difficult and expensive

As Christopher Williams of Advanced System Architectures (ASA) points out: "All too often, development schedules over-run, cost estimates escalate, performance does not meet specification and newly delivered systems frequently contain far too many software errors and frequently crash."

James Martin, a former IBM executive who attracts enthusiastic audiences for his data processing seminar, has put his knowledge and experience into a programming methodology he calls the Information Engineering Workbench. He claims: "A sweeping revolution has begun in the methodologies of pitting computers to work. This revolution depends on power tools. The methodologies of the past used pencils and plastic templates; the methodologies of the future use design automation techniques linked to a knowledge base."

Nimrod advanced early warning system for the RAF—prime example of problems in software

"Knowledge base" implies the use of artificial intelligence techniques.

For the first time, these techniques are being used to help generate software. It is clearly too early to say, but it looks as if developments like the Martin Workbench and ASA's 'Sofchip" approach herald the approach of the software miracle.

Companies with access to these superior programming techniques will be able to seize the advantage over their less aware contemporaries in exactly the same way that companies which latched onto the microprocessor quickly were able to sharpen their competitive edge.

The positive feed back generated by these developments in computing will be seen in other areas.

Biotechnology is the other key technology today. It is a very old technology as brewing and baking, both involving yeasts were known as long ago as 7000 BC and 4000 BC (in that order) but it has been given a massive, catalytic boost by developments in genetic engineering

Three techniques are of most interest: recombinant DNA, monoclonal antibody production and cell fusion.

There are two profound implications in these techniques.

First, they will make possible the production of certain drugs and chemicals economically in quantities which could otherwise only be manufactured with great difficulty and at great expense.

Second, they will make possible the manufacture of drugs which have never been seen before

Here there is a powerful synergy with computer development. Scientists are gradually beginning to understand the way in which the shape of a particular molecule enables it to perform its function.

'Cost and the fortunate human reluctance to go too far too fast may prove to be effective brakes'

The result could be—and this may be some years off—the development of drugs with peculiarly powerful properties.

The rate at which technology is advancing is already opening a gap between the "haves" and the "have-nots" which is probably unprecedented in human history. But it is nothing to the division which will occur once the positive feed back loop of hugely powerful computers, probably correct software and safe drugs to alter mental ability come into play.

Cost, and the fortunate reluctance of the human race to move too far, too fast may prove to be effective brakes; but everybody should be considering whether to be a technology leader or follower. The gap between the two may soon be too wide to bridge.

Alan Cane, who has edited the Technology page since 1981, has relinquished the post to concentrate on reporting more broadly the influence of technology on business.

Scanner to end jams in canning

A SYSTEM that will visually inspect cans on food production lines to prevent jams and rejects has been developed by Filler Protection Development of Royston, Herts.

Can-Scan can perform at 2,500 cans/minutes. It makes use of a TV camera and a computer which can analyse the raster images produced and compare them with the correct data.

Cans with as little as 10 per cent ovality can be detected and various degrees of damage to the top flange can be picked up—the user can make sensitivity adjustments to suit the circumstances. Information can be passed to a mainframe computer for a management information system. The machine can be mounted over most types of flat bed, single file conveyors.

The Can-Scan idea emerged from a request by a large food maker to cut time lost by deformed tins jamming the filling and closing machines and to sort out "slow leaker" and "letterbox" cans (those with the lids not completely sealed.

More on 0763 49339.

Robots to find fuel tank leaks

VOLKSWAGEN is turning to robots and an automatic leak testing machine to detect fuel tank manufacturing faults.

The German car company tests the tanks by channelling into them helium gas under pressure. A robot loads each tank into a special chamber, at which point the receptacle is closed and the gas pumped in.

A spectrometer outside detects any escaping gas. The system replaces the conventional technique in where leaks in tanks are detected by bubbles appearing in soapy water. It was built for the car company by Edwards Kniese, a pump specialist.

Appointments

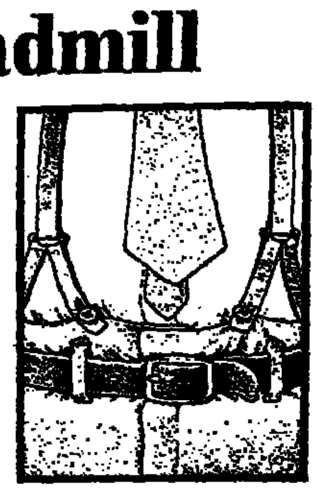
Appointment Wanted

Company Notices

Clubs

FORECASTS 1986

Sprinter on a treadmill



INSURANCE

By William Hall in New York

"LIKE a sprinter on a treadmill, the property / casualty industry is producing new premiums faster and faster—but is gaining not at all on profitability," was the gloomy conclusion of a recent report from A. M. Best, the US insurance industry rating agency.

The international insurance industry is made up of two distinct parts—life assurance, which is normally profitable, and non-life or general insurance, which is often unprofitable. Within this framework, the US property and casualty insurance industry is the sick man of the world insurance industry, whose recovery is critical for a healthy global industry.

Although the recovery in the US property and casualty insurance business has been under way for more than a year now, it is taking a long time for the patient's temperature to drop. Every year for the past seven years, US property and casualty insurers have lost more money on underwriting than the year before; 1985 was no exception.

According to Dr Sean Mooney, research chief of the Insurance Information Institute, written premiums rose by 21 per cent in 1985, more than twice as fast as in 1984. Nevertheless, the US industry's underwriting losses jumped from 1984's record $21.5bn to $25.2bn. Investment income of $19.7bn was insufficient to cover losses and for the second year running the industry had an operating loss.

The current signs of recovery in the industry have not come a moment too soon for some of the most famous names such as Aetna, Commercial Union, INA, Fireman's Fund, Crum and Forster, Hartford and USF. A fierce price war has driven insurance rates down by around 40 per cent since 1979 and all of the above were losing capital at an alarming rate at one stage in 1983-84.

In 1985, for the first time in eight years, there was an improvement in the industry's "combined ratio"—the traditional measure of profitability. Nevertheless in some insurance products, such as medical malpractice, insurers were still paying out more than $1.50 in claims for every $1 of premium income.

Prices first began to tighten in the reinsurance markets at the end of 1983 and began to flow through into the primary markets in the third and fourth quarters of 1984. Since then the pace has accelerated.

There are reports that facultative reinsurance rates have risen between 80 and 500 per cent since the cycle turned. Insurance customers are paying a lot more for less coverage than a year ago. In areas where insurers face an unpredictable long-term exposure, the so-called "long-tail" lines, such as providing cover for toxic waste dumps, or professional and product liability, customers are paying record prices. Often they are finding it impossible to get adequate cover. A buoyant stock market has also boosted investment returns.

All this should be good news for the insurance companies. But in many cases the heavy losses of 1983 and 1984 have shrunk their capital bases so that they cannot take full advantage of the higher rates. In addition, Hurricanes Elena and Gloria and the Mexican earthquake have led to a higher than normal rate of catastrophe claims and an upsurge in the number and size of US jury awards against the insurance industry has frightened many foreign companies that either do business directly in the US or reinsure US risks.

US insurance companies have responded by raising close to $5bn of new capital and this trend is expected to continue in the current year as companies work to repair their strained balance sheets. However, this is not a realistic solution for the mutual companies which expanded aggressively in this area. As a result they are expected to concede market share to the stockholder-owned companies which have access to the capital markets.

Mr Tom Rosencrants, a partner in Conning, a Hartford brokerage firm which follows the industry closely, says that the current upswing in pricing should last another 18 to 24 months. He expects to see "enormous price increases" in reinsurance. Dr Mooney, of the Insurance Information Institute, also sees continued improvement in the industry's fortunes over the next 12 months and is forecasting a combined ratio dropping from a 1985 level of 117 to around 110 in the current year.

There was a record number of insolvencies in the insurance industry last year and Mr Rosencrants foresees a considerable shake-out of the weaker companies over the next two years. He says more forced marriages, along the lines of Nationwide's November rescue of Wausau, a mutual company which had run up heavy losses on workers' compensation, are likely.

The area of greatest concern for the insurance industry, both in the US and overseas, is the scale of liability awards in the US courts. Aetna says that unless there is a major restructuring of the US civil liability system, "it may be only a few years before American industry is forced to curtail production or forgo technological advances because of a lack of adequate risk protection."

While insurance industry critics have little sympathy for such special pleading, there is growing awareness outside the insurance industry that the present system cannot be allowed to continue unchecked. In New York and other heavily populated states, the problems of the medical profession in securing adequate insurance coverage at reasonable prices threaten to disrupt health services.

"We will probably muddle through without any significant change unless the non-availability of insurance or excessive rates causes widespread disruption," says Tom Rosencrants. However, he argues that there are signs of a groundswell of support for reform in this area.

APPOINTMENTS

British Aerospace divisional chief

Mr Peter Brighton has been appointed managing director, BRITISH AEROSPACE electronic systems and equipment division, Bracknell. He joined as managing director designate last October. He succeeds Mr D. S. Barnes who will join BAe's corporate headquarters at Weybridge where he will undertake various specially assigned duties. Before joining British Aerospace, Mr Brighton was managing director of Cossor Electronics, a position he held for seven years. Prior to this he held appointments as managing director of Collins Radio and managing director Middle East region with Plessey.

Mr Peter Brighton.

★

LLOYDS MERCHANT BANK has made the following appointments: Mr John Gordon Fitzell Bovenizer as director, treasury. He was previously executive vice-president and regional manager in the North America division of Lloyds Bank International, for whom he worked for 18 years with a 2½ year break working for Banco Urquijo. After rejoining LBI in 1981, he was involved in exchange and money market and treasury work. Mr V. Victor Sachar becomes a director, capital markets group, SWAPS. He was executive director and head, capital markets arbitrage, First Chicago, where he was instrumental in developing the SWAP activities. Mr John Ross Eggleshaw as a director, capital markets group. He was the Lloyds Bank International representative for India, Sri Lanka, Nepal and Bangladesh, based in New Delhi. Mr John Henderson as a senior assistant director, capital markets group. He was assistant director in the capital markets division of J. Henry Schroder Wagg.

★

The following appointments have been announced by the C. E. Heath GROUP: C. E. HEATH & CO. (INSURANCE BROKING)—Mr G. M. Adderley, Mr G. R. Barden, Mr A. E. Fell and Mr J. R. Hoskins have joined the board; C. E. HEATH & CO. (MARINE)—Mr T. R. Kyd has become an executive director; C. E. HEATH & CO. (LMX)—Mr E. W. Thompson has been appointed an executive director; C. E. HEATH URQUHART (LIFE & PENSIONS)—Mr R. L. Walker is the new deputy managing director; C. E. HEATH & CO. (AVIATION)—Mr R. G. H. Walters has joined the board and Mr C. J. Cox becomes an associate director; C. E. HEATH & CO. (AVIATION REINSURANCE BROKING)—Mr P. J. Lucas and Mr T. G. Watson have been appointed directors; W. ADAMS (INSURANCE BROKERS)—Mr J. L. Clark has been appointed managing director; C. E. HEATH & CO. (INTERNATIONAL)—Mr D. A. Butler has joined the board; C. E. HEATH & CO. (NORTH AMERICA)—Mr D. A. Butler has joined the board.

THE MANAGEMENT PAGE: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

US baby boom

'The Yuppies are having puppies'

America's latest parents have a high spending power. Frank Lipsius reports on the great marketing potential

AMERICA is having another baby boom. The numbers may not be quite of the scale of the early 1960s, but the baby products' manufacturers believe the marketing potential is equally, if not more, exciting.

For, as Franklin B. Zorn, executive vice president of Marshall Baby Products, remarks: "The yuppies are having puppies."

Behind this remark lies the fact that a shift has taken place in the pattern of births in the US. With the move in the past 25 years to greater female employment, later marriages and older, better educated, affluent parents (including yuppies — Young Upwardly-mobile Professionals), a greater proportion of births are first births. And first births are for the product manufacturers the key to the infant market; parents are forced to spend upwards of $1,000 to fit out a baby's room with bassinets, cribs, dressing tables, clothes and toys that can be used and put away for subsequent siblings.

In 1985, almost half the anticipated 3.7m births will have been first-borns, compared with only a quarter of the 4.27m births in 1961.

More attuned to careers than child-rearing, contemporary parents are inundated with promotional literature from manufacturers aimed at concentrating the mind during the short period when most initial purchases are made. Noting that "Mothers decide on a crib in their seventh or eighth month of pregnancy and want delivery that month before birth," Jerry Lund, the sales and marketing manager of Simmons crib company, relies on dealers to promote his expensive cribs. Absorba, the manufacturer of top-of-the-line stretchies, the first infant garments that can cost $20, conducts half-day "layette seminars" (to instruct on babies' first needs) at department stores across America, from Saks Fifth Avenue in New York to Nieman-Marcus in Dallas and Bullocks in Los Angeles.

A large number of give-away magazines pinpoint the dramatic change in lifestyle that follows the birth of a baby. Suddenly their world includes disposable nappies [which introduces the idea of convenient child-rearing], sterilised throw-away liners for baby bottles, and baby foods like Beech-Nut, which advertises its all-fruit brand compared with the half fruit of "the other leading baby foods."

The magazines find their subscribers, who get a half-year's free issue, "through retailers, obstetricians, maternity shops and direct mail," according to Pat Calderon of American Baby, which prints 1m copies a month supported by advertisers ranging from Infa nipples (teats) to Polaroid cameras.

Views

The magazines reflect prevailing views of contemporary child rearing, with an emphasis on breast-feeding, stimulating children, balancing career and motherhood and extensive paternal participation in the process. According to its editor, Pat Irons, Baby Talk, with a monthly print run of 950,000, addresses itself to careers, since more than half the mothers work, and includes regular columns on breast-feeding and fatherhood. The magazines are also an outlet for grousing, like the American Baby story by a mother complaining to her mother: "You never told me that some babies do not sleep through the night until they are five or six months old. And that when you get up during the night, it is not just for a minute—their diapers are wet, the sheets are wet, the mattress pad is wet, and the extra sheets are in the wash."

If disposable nappies go along with disposable incomes, so does the whole range of baby products, a quarter of which are bought not by parents but by grandparents. Though manufacturers would like to address grandparents directly, the most efficient medium is through parents, as revealed in a Better Homes and Gardens readers' survey that showed that nearly half the grandparents relied on parents' recommendations and only 18 per cent listened to the child's own request.

Grandparents' own disposable income is important for purchases like cribs that five years ago would have cost $90 to $200 and are now $129 to $500. Rising prices reflect more discriminating tastes, with the trend in the last three years toward European contemporary-styled furniture in sleek white compared with traditional cribs in dark woods with lathe-cut slats. All the children's products emphasise safety: cribs have at most 2¾ inches between slats to prevent babies getting their heads stuck and clothes are required to be of fire-resistant materials.

Jeff Jablow, the president of baby clothes manufacturer Absorba, notes "the revolutionary approach" to baby clothes that has occurred in the past two to three years. Of 250 stretchy styles the company produces, 230 are changed three times a year. "This is a fashion business that was basic before," a trend stimulated by books like The Ultimate Baby, which tells a mother how to dress a kid the way Dress for Success did for the parents. "Three years ago," Jablow notes, "the idea of such a book would have been laughable."

For Franklin B. Zorn, of Marshall Baby Products, which distributes the British Maclaren strollers in the US, the "yuppies" are stimulating product development for more sophisticated, higher-priced goods. He cites Maclaren's baby carriages which convert into strollers and a "royalty" line of lightweight strollers as examples of the high-tech product that has pushed "wheels goods" into an almost $250m a year business. Juvenile furniture has doubled in retail sales from $700m in 1979 to $1.34bn in 1984.

Toy and book companies feed parents' improved assumption that the right stimuli will produce cleverer offspring. Publishers have met demand with increasing lines of children's books, which have doubled in sales since 1980 and are expected to double again to $1.5bn at retail prices by the end of the decade.

A surprise bestseller in 1982, Jim Trelease's The Read Aloud Handbook, has spawned a new category of bibliographies like Andrea E. Cascardi's Good Books to Grow On, which lists a range of titles, the cover notes, "from cloth books to nursery classics."

"People are buying books for babies from day one; our best-seller is Baby's First Words," says Becca Mudge, manager of a Turtle Bookstore, one of a number of bookshops exclusively for children, which tend to cater to a new-style carriage trade.

The toy business is rigidly segmented between pre-school and older children. The market for younger children, which is aimed at parents and grandparents, makes a natural fit for companies that sell toys as well as food, with Fisher-Price now owned by Quaker Oats and Reliance toys by Gerber, the baby food maker. Johnson & Johnson, purveyor of baby powder, baby oil and shampoo, has a line of child development toys it advertises as getting "your baby to master new skills" with see-through rattles and oversized teethers.

Fisher-Price advertises toys from its range of 200 to mothers in television day-time soap operas and women's magazines, as well as the give-away monthlies, according to company spokesman, Carol Blackley. The company runs a free nursery on the premises in upstate New York as a corporate testing centre, replete with two-way mirrors and interaction with toy creators to test prototypes.

Blackley notes that higher incomes result in higher toy sales, especially with over half the families having dual incomes. Fisher Price has always produced toys to stimulate babies, but sophisticated parents present new challenges.

In the past, infant food makers sugared the meals to appeal to the parents. Now, while the marketing may still be aimed at the adults, companies have to prove the value of the product for the child. So Fisher Price's popular mobile for dangling over the crib faces down on the child, not at the adult, a distinction that reflects the times.

Favourite seasonal ads

Feona McEwan asks agencies for their nominations

ASKING ad-people what ads they like is asking for trouble. Their criteria will always be, of course, creative excellence — outstanding concept, production, execution, copyline, art direction — together with a winning idea.

How efficiently the beautifully crafted ads do their jobs or achieve their declared aims (whether to shift goods off shelves, heighten awareness, adjust opinions or whatever) is a moot point.

So in light-hearted vein, we have done a vox pop of some of the UK's leading creative directors to ask them for favourite ads-of-the-season nominations. The general verdict suggests that this is no vintage crop, given the cacophony of predictable seasonal offerings, the sentiment-sodden commercial breaks and the bland print messages. But if you look hard enough, the lesser spotted "great ad" is still alive and staring at us.

For sheer bravura and ingenuity, the poster for Honeywell computers, which features a three-eyed man and the line "Honeywell has 3 eyes checking for every 2 assembling," gets the vote of Chris Wilkins of Davis Wilkins, a newly-formed agency. "It is a rare case where the ad combines a startling and beautifully executed visual and a very powerful selling idea. I think it is one of the posters of the 1980s."

The poster, part of Honeywell's drive to heighten general awareness of its activities, is the work of a young duo at Gold Greenlees Trott—art director Clive Yaxley and copywriter Jerry Gallaher.

Over at GGT, Dave Trott waxes lyrical about the commercial for Tonka toy earth-mover trucks, which have a reputation for toughness. The ad features a life-size earth-moving truck alongside the toy version. Both are then pushed off a 400-ft clifftop and filmed in a slow motion as they fall. The real truck disintegrates—a camera inside it heightens the drama and at the foot of the cliff, only the toy remains intact. The final shot shows it plopping into a child's sand-pit.

The work of Humphreys Bull and Barker (Saatchi's latest buy) Trott calls it "a brilliant ad," combining a novel idea which drives home the company's tough toys policy, with a very watchable execution.

Trott also praises the much-talked about John Cleese party political broadcast for the SDP on proportional representation. "I watched it twice and I have never voted SDP. And I understood it. Everyone was talking about it the next day too which is great — even people who are not interested in that sort of thing. Also it was not selling the SDP, it was selling proportional representation which was smart because selling one is in effect selling the other. It is enough to make you want to vote for the idea alone . . ."

A hardy annual in the industry's book of praise is the Heineken work. This season, it's the Van Gogh poster which is rated by Tim Delaney of Leagas Delaney. A spoof of the famous self portrait of the one-eared artist, it shows him with two ears, one above the other and there's no copyline. The execution indicates just how familiar consumers have become with the Heineken brand of advertising. The account is handled by Lowe Howard-Spink.

There is also a much-praised television commercial, shot in classic old Warner Brothers/Walt Disney animation which shows a flying partridge, complete with World War I helmet and singing "The 12 days of Christmas" in a Bing Crosby voice. The bird is shot at and starts to fall whereupon it pulls out a beer can and up goes the parachute marked H, leaving it to fall gently into . . . a pear tree.

Greg Delaney of Delaney Fletcher Delaney commends the Shell press ads, especially the one explaining an insecticide that scares bees and which puns on the headline "to bee or not to bee" (only instead of the verb, be, an actual insect is pictured). It is beautifully written by Howard Fletcher and art directed by Derek Haas.

At Lowe Howard-Spink, Alfredo Marcantonio admires the Economist press ad (written by David Abbott of Abbot Mead Vickers) so much that he had it photocopied and sent round all of his copywriters with the dictat: "Read and inwardly digest."

"How to write for the Economist" is the headline followed by a detailed resume of do's and don'ts for writers. The ad came about after Abbott saw a copy of the house style and recognising its potential edited it into an ad.

Bob Connor of Brunning and new president of the industry's creative society, the Creative Circle, commends the new Cockburn's port commercial. It follows on from the last Cockburn ad of two years ago, which featured a Russian sea officer dining with an English sea officer passing the port and exchanging Cockburnese English conversation. Lines like "I come from Moscock" to rejoinders like "You probably do" made the original version highly amusing and at the same time drove home the brand name in an entertaining fashion.

The new ad develops the story of the marooned English officer who is rescued by his Russian hosts, and shows the Russian submarine surfacing in a picturesque English river to deliver the Englishman to his manor home. Over dinner the two men exchange Cockburnese banter. "It's a nice twist to an old gag that still works well," says Connor. The agency is J. Walter Thompson.

Royston Taylor of Dorlands is struck by the boring flood of perfume commercials around "that aren't attempting to enchant and look as if the manufacturers themselves have done things in an amateurish way. Mindless and old fashioned," he calls them. "If they explored the idea of smell in sound and vision there's a whole field there to challenge any creative team. That's interesting to me. And it still wouldn't cost very much."

Letters to the Editor

A potential ally

From Mr D. Howell, MP

Sir,—What a perceptive note Malcolm Rutherford (December 23) chooses on which to finish 1985.

Of course western Europe and Japan should be getting together. The prevailing attitude in Brussels towards the Japanese—that they are no more than distant but monstrous trade rivals who must somehow be shut out—is miserably ill-informed and out of date. The attitude in London is clearly not much better.

It is high time these views were replaced by the realisation that Japan today is potentially Europe's powerful ally, a society from which we can draw enormous strength and wisdom and a key element in the world security system.

If Malcolm Rutherford is correct—and he probably is—about the Foreign Office approach—that we will get these things right one day, old boy, but probably 20 years too late—then this, too, should be replaced by something that looks more like intellectual leadership and less like abdication.

The atmosphere in Tokyo at present is highly receptive to new ideas for co-operation from Europe. Let us take the initiative and try out a few—in good time, for once, rather than hopelessly late in the day.

David Howell,
House of Comons, SW1.

Tax-benefit systems

From the General Secretary, General, Municipal, Boilermakers and Allied Trades Union

Sir,—Samuel Brittan (A long way from true selectivity — December 19) makes unjustified claims for integrated tax-benefit systems while failing to grasp their only real advantage.

It is simply not true that netting off payments and receipts would produce greater simplicity. Allowing large gross flows in both direction between citizen and Treasury is administratively very much easier, as the Inland Revenue pointed out in evidence to the Meacher committee.

The true advantage of integration is a purely intellectual one. It directs attention towards the net outcomes of the redistributive system—which ends up with how much—rather than the gross flows which go to make up these outcomes. In the process the distinction between "virtuous" tax allowances and "vicious" public expenditure is revealed as completely meaningless. Both benefits and allowances are ways of bestowing relative advantages on particular groups.

In his opening remarks Mr Brittan seems to grasp this point. In subsequently complaining about the "cost" of various social security benefits in terms of pure Treasury accountancy, however, he falls into serious self-contradiction.

The example of child benefit makes this clear. Child benefit, like child tax allowances before it, is a way of recognising that people with children have a lower taxable capacity (that is are worse off) than childless people with similar incomes. The alternative view, that children should be seen simply as items of luxury consumption and that their needs should not be recognised by the fiscal system, is an argument about fiscal equity, not about cost. One cannot "save" money by means-testing child benefit any more than one "saves" money by any other sort of tax increase.

David Basnett.
Thorne House, Ruxley Ridge, Claygate, Esher, Surrey.

Family credit

From the Deputy Director, Child Poverty Action Group.

Sir,—Samuel Brittan (December 19) describes the new means-tested family credit as "by far the most important" measure to improve the social security system put forward in the Government's recent white paper. Yet, as he is forced to point out himself, it suffers from fatal flaws. High marginal tax rates will be extended to at least twice as many working families as are trapped in poverty at present: and, even on the Government's unrealistically optimistic assumption about take-up rates, two out of every five families with incomes low enough to qualify for family credit will not claim it.

These are two of the reasons for the widespread opposition to the Government's plans to downgrade child benefit in favour of greater emphasis on family credit. Samuel Brittan, however, urges the Government to go even further along this road, arguing that the social security system is "insufficiently selective. Because the non-poor get quite a lot, the poorest do not get enough."

This superficially attractive argument unfortunately seems to be gaining ground among erstwhile supporters of child benefit such as Samuel Brittan, who have been seduced by the new selectivists into support for "targeted" rather than universal benefits. He is even led into arguing that child benefit "makes the insulting assumption that no family can provide for its own lifecycle means."

But the widely recognised need for lifecycle redistribution stems not from insulting assumptions, but from empirical evidence, such as Michael O'Higgins' study of family income, that "Rowntree's categorisation of the periods of 'want' and 'plenty' remains valid: child-rearing and old age are periods of almost equal relative want. . ." And the Government's own finding that benefit is "simple, well-understood and popular" lends no support to the view that child benefit is seen as an insult either by its recipients or by others.

Instead it is the selective means-tested benefits which are often regarded as insulting by those who receive them. Low paid working families in particular feel that to claim such benefits is an admission of inability to 'manage', and therefore of failure. Many refuse to claim for this reason.

The opposition of groups such as CPAG to a structure of family support which gives pride of place to means-testing is therefore based not on doctrinal dogmatism, but on practical experience.

Fran Bennett.
1, Macklin Street, WC2.

Inequalities of life

From Mr J. Stephenson

Sir,—The article "The expense account world of the £40 meal . . ." (December 21), appeared the day before a reader's letter in another newspaper pointing out the wide difference in salary between ward sisters (in Great Ormond Street Hospital for Children) and the striking electricians in the ITV dispute. The salary range given was £7,000-£9,000 for the sisters, and £22,000-£30,000 for the electricians.

When one relates the "£40+" (70 per cent-80 per cent expense account meals) to the average weekly gross salary of a sister (£153) or experienced staff nurse (£121), and one can overcome the slightly sour taste in this particular menu, it does cause one mildly to ponder the relative inequalities of this life!

J. W. Shephenson.
Farnborough Hospital, Orpington, Kent.

Maintaining capability

From Mr J. Franklin

Sir,—The debate about Westland and which of the solutions offered is the more appropriate has, I believe, shrouded the fundamental question which is surely, how best can this country preserve the capability to produce a complete aircraft with all that this means for British technology and employment.

From what has been published it is evident that the company failed through a lack of marketing awareness in producing a product for which no demand existed. With shareholders including GEC and BAe—both leaders in their own fields largely because of their marketing expertise—this mistake is unlikely to occur a second time. The members of the European consortium are first and foremost profit motivated. They, like Westland, are also high technology orientated. These facts must therefore favour the European solution rather than the Sikorsky/Fiat offer which would relegate Westland to the role of a subcontract facility producing (or assembling?) the Black Hawk.

I suggest that the matter is of such strategic importance to this country and to Europe that it justifies the odd Cabinet row.

J. E. Franklin.
4 Bengeo Street, Bengeo, Herts.

Productivity in Universities

From Mr J. Garrett

Sir,—The Master of Balliol's article on the management of Oxford colleges ("Academic productivity by candlelight," December 18) seems to bear out the Jarratt committee's view that it is time the universities were more self-critical. Nobody who read the Jarratt report could say that it recommended that "British universities should be made more like British industry." The minority of its recommendations which were addressed to universities modestly, and correctly, proposed better means of management, planning and the control of resources in some large and expensive public institutions.

Dr Kenny's observation on the efficiency of the utilisation of Balliol's "plant" might have pointed out that it was used for "processing" students for six months of the year (and is it the same plant as in 1935?). Saying that education at Oxford is not expensive, while excluding endowment income, is somewhat ingenuous. The fact that dons are accountable to no one may help to explain the limited reading skills of too many of them. Is he also satisfied with the fairness and the efficiency of the student entry arrangements?

John Garrett.
1a, Greenholm Rd, SE9.

THE ARTS

A Year's Dance/Clement Crisp

Search for classic style in post-modern wasteland

Another year, sang Wordsworth, *another deadly blow*. Unlamented by me, 1985 brought a parade of dance fatuities and balletic ineptitude, with a handful of performances to remind us that this is an art capable of exciting eye and mind, and setting the pulses racing. That it did so was due to such artists as Sandra Madgwick, Natalya Makarova, Elisabeth Platel, Maya Plisetskaya, Antoinette Sibley; to Mikhail Baryshnikov, Fernando Bujones, Anthony Dowell, Patrick Harding-Irmer, Irek Mukhamedov, and the Bolshoy, New York City, Paris Opéra and Sadler's Wells Royal Ballets.

I record, in no special order of tiresomeness, some of the more aggravating moments, and as balm, rather more of the good things. Turkey of the Year award must go to the Eurovision Young Dancer of the Year contest televised from Reggio Emilia, which stands accused of spreading alarm and despondency about ballet. The transmission's only merit lay in Annette Page's commentary, a ballerina's honesty about what she was seeing (and plainly disbelieving) the best antidote to the garrulities of an Italian lady who looked and behaved rather like Mrs Vincent Crummles.

There were contributions made by American performers which amounted to the dumping of toxic post-modern waste. There was no excuse for an under-powered American Festival contribution misnamed *A Taste of the Big Apple*, which imported a dismaying collection of choreographic shoddy: small wonder the season did not run its full course at the Bloomsbury Theatre. There were leaden evenings owed to the tedious Margaret Jenkins, to Lisa Kraus and Stephanie Skura, to Katie Duck who lumbered Extemporary Dance with an ill-fitting disaster, and to David Gordon, being whimsical about chairs.

As relief, though, we had a dazzling visit by Merce Cunningham, showing how good choreography can alter our perceptions about movement. The very original Mark Morris also returned with a rewarding season; alas, a jazz company, *Waves* from Philadelphia, offered no revelations about jazz or Philadelphia.

Local modern and post-modern ventures were less than engrossing, with London Contemporary Dance Theatre the ever-honourable exception, and Patrick Harding-Irmer a giant in skill and artistry. Among the more desperate events I must cite Siobhan Davies's threadbare view of *Così fan tutte*, winner of the Rose-bowl for Chutzpah; an evening of feminist dumb crambo from Gaby Agis; and the unrelenting winsomeness of the Janet Smith troupe, whose patron should be Mabel Lucie Attwell.

Mantis acquired an incomprehensive and interminable *Heartbreak Hotel* from Timothy Buckley, and The Place played host to an evening of Nordic gloom under the title of "Dances from the North," and to a programme of solemnities by Anna Sokolow which was the quaint offering of Dublin City Ballet, while an attempt to make dances in Bristol with London Contemporary forces—Moves Afoot—also came a cropper in the Euston Road.

The Ballets de Montréal introduced evenings of inspirational eurhythmy at the Wells under the mistaken impression that this was choreography, and Scottish Ballet put on a programme in Glasgow with the charmless title *Gut Reactions*—my own entrails reacting badly to works by Peter Royston and Michael Clark. At the Edinburgh Festival the Paris Opéra's Choreographic Research Group proved that awful "modern" choreography is everywhere, only the French think of it as a kind of cretinous ballet.

The Edinburgh Festival, still obliged to use the grubby barn of the Playhouse, presented Scottish Ballet with a new *Carmen*, and invited Nureyev to appear with Elaine MacDonald in *La Sylphide*. The festival also featured Michael Clark in his latest urchin display of frocks, artificial penis and disorder. Just another station on the *via dolorosa* of the year.

One enterprise I hope may presage good things to come: the National Youth Dance Theatre, initiated during 1985, and offering dance opportunities to young amateurs (in every sense of the word), reflected the increased value and importance of dance in secondary education. More power, and more sponsorship, to its elbow.

The Royal Ballet's two halves seemed at moments to lead a Jekyll and Hyde existence. The Sadler's Wells troupe played seasons in Rosebery Avenue, at Covent Garden, and round the country, with new ballets staged by five young choreographers: David Bintley with the dashing *Flowers of the Forest*; Jennifer Jackson with *Median*; Michael Corder with *Wand of Youth*, and newcomers Susan Crow and Graham Lustig producing small works on shoe-string budgets. These creative policies, and the excellence of stagings and ensemble playing, brought Peter Wright the honour of the CBE, a reward in which we all rejoiced. Evelyn Hart made very pleasing guest appearances as Odette/Odile and Aurora, and among the gifted young dancers of the company Sandra Madgwick wins my undying admiration for a dazzling "Finger" variation in *Beauty's* prologue.

At Covent Garden the Royal Ballet showed us some stellar interpretations: Sibley and Dowell in *Thais, Birthday Offering, Cinderella*; Sibley and Baryshnikov in *A Month in the Country*; Sibley and Bujones in part of *Jazz Calendar*—it was certainly Miss Sibley's year; Fernando Bujones in *Le Corsaire*, and Elisabeth Platel as a sublime Aurora. These performances proved, yet again, that stars have a vital function as exemplars and as leaven in a sadly un-stellar troupe.

The year's creations were less than engrossing. They included Michael Corder's *Number Three*, with its stormy and preposterous design history; Jennifer Jackson's *Half the House*, sabotaged by its score; Wayne Eagling's *Frankenstein*, escaped from the East Wing; and Bintley's *Sons of Horus*, which took the easy way out of its fascinating subject. Darkest event of the year for the Royal Ballet was the revival of *Ballet Imperial*, in which text, design and interpretations were disgraceful.

Peter Wright gave the Opera House a new *Giselle* staging, but the company has yet to provide a ballerina to illuminate it, though the debuts of Maria Almeida and Fiona Chadwick hold promise for the future. These young dancers, together with Ravenna Tucker, made lasting impressions during the year.

Under Peter Schaufuss's direction, London Festival Ballet went for novelties, guests. There was a new *Coppélia*, a staging of the Shades scene from *Bayadère*, the acquisition of Ashton's *Romeo and Juliet*, and ballets by Ailey, Petit, Taylor, Bruce, Béjart and—for Festival's new concert troupe LFB 2—by Nils Christe. All in all, a commendable attempt to galvanise the company, with noteworthy performances from the male roster: Schaufuss himself, Patrick Armand, Kevin Pugh, Raymond Smith, and Patrick Dupond in a fizzing guest appearance in *Études*. The women were altogether dimmer, save for the blazing appearances of Makarova in *Onegin*, partnered by Alexander Sombart, in which the diva was at her most incandescent and inspired.

Ballet Rambert staged a piece by Dan Wagoner for too idiosyncratic and American; its own choreographers ran true to form, with Richard Alston making a subtle *Liaisons Dangereuses* (his earlier *Mythologies* defeated description) and Christopher Bruce telling of expatriate yearnings in *Sergeant Early's Dream*.

Of smaller companies, Northern Ballet Theatre brought a flatulent *Othello* to London, dismal in all respects, and showed us Nureyev as a fine Jean in Cullberg's trumpery *Miss Julie*. London City Ballet gained a new staging of *Coppélia* by Christopher Gable which it then maltreated in performance. Rudolf Nuyerev invited a Japanese company to support him in *Swan Lake* and *Giselle* and took the Ballet Théâtre Français to Manchester for a "Homage to Diaghilev" programme.

He remains, as ever, an irresistible force in ballet, even when faced now with the immoveable object of the years themselves. I reported with great pleasure on performances by his own company, the Paris Opéra Ballet, crammed with dancers for whom most other troupes would give their collective eye teeth. Nureyev's new and very personal *Swan Lake* was no more wilful than most stagings today, and it invited tremendous performances from seven or the Opéra's ballerinas, among whom Noella Pontois, Elisabeth Platel, Sylvie Guillem, Isabelle Guérin were tremendous, with tremendous support from such young lions as Laurent Hilaire, Manuel Legris, Eric Vu An, Charles Jude (who also made a welcome appearance in the *Corsaire* duet with Platel at Covent Garden).

The Opéra also put on a richly deserved but less than richly danced *Homage to Antony Tudor*, made splendid by Jean Guizerix and Wilfride Piollet in *Dark Elegies*, and Nureyev also staged a *Washington Square* in which Henry James's novella was afflicted with elephantiasis.

Two legends were on view in Paris: Plisetskaya a flame in Lifar's *Phèdre* with the Ballet Théâtre Français, and Jeanmaire singing and shimmering with paillettes atop those fabled legs in *Hollywood Paradise*. Two other legends took the stage in Berlin, when Makarova and Roland Petit appeared in the latter's *Blue Angel*.

Petit also brought Pier Paolo Pasolini and James Dean together in his *Marriage of Heaven and Hell* (choreography making strange bedfellows), and the National Ballet of Canada visited Europe with programmes which showed the company dancing strongly, even in the suspect paella of their *Don Quixote*. The Royal Danes returned to their refurbished theatre (£26m wisely spent, arts authorities please note) with a new director, Frank Andersen, and a full-length *Amleth* by John Neumeier, excellently danced. The New York City Ballet continued to make the world a better place, restoring Balanchine works to the repertory and dancing with undimmable brilliance.

Ballet of the year was *The Age of Gold*, seen during the Bolshoy Ballet's appearances in Germany as part of a Shostakovich Festival. Yury Grigorovich rescued a fascinating score from Stalinist blight, and turned the history of a remarkable era of early Soviet endeavour into a rattling good yarn and rattling good dance. Marvellous design by Simon Virsaladze gave an exact picture of the art of the early 1920s; the youthful Bolshoy ensemble was buoyant with talent. The contrasted male leads — Irek Mukhamedov, stratospheric-soaring in white as the hero; Geminidas Taranda, all suave bravura in black and the villain—were astounding. The Bolshoy's women, Bessmertnova adorably the heroine, looked stunning and very chic as they sauntered and strutted through the score's hit tune "Tea for Two."

Thus the year as I was able to record it in these pages. If there is any message in it for our dance world, it concerns the continuing erosion in Britain of ballet's central virtue: an exact and assured classic style. In other centres — America, Russia, France — training and aesthetic attitudes maintain standards of academic power and elegance. Without these, our ballet will sink into complacency and mousiness.

Elisabeth Platel in "The Sleeping Beauty"

Patrick Harding-Irmer of London Contemporary Dance (left) and Natalia Makarova and Alexander Sombart in the Festival Ballet's "Onegin"

L'Enfance du Christ/ITV

Andrew Clements

Berlioz produced at least one work that lies uncomfortably on the borders of both opera and oratorio. *The Damnation of Faust* appears both in the concert hall and the theatre, but in either incarnation fulfils only part of its potential. *L'Enfance du Christ*, though, has never suffered from such identity problems: Berlioz called his version of Faust a "dramatic legend," but *L'Enfance* is a "sacred trilogy," a three-part oratorio pieced together over a number of years, and designed unambiguously for concert performance.

Thames Television's "dramatised version," broadcast in all regions last Monday evening, was a brave attempt to bring the work to a wide audience in as vivid and theatrical a way as possible. That the production must be regarded as an almost total disaster had less to do with the intractability of the work than with the nature of its adaptation for television by Anthony Burgess.

Certainly some sections are quite static, and moments of genuine theatricality relatively few but many operas firmly fixed in the repertory are no more obviously dramatic, and careful handling could have provided appropriate visual images to complement the sections of essentially devotional music. What wrecked this treatment was its fundamental sentimentality. Painted backdrops of Middle Eastern villages had a chocolate-box tackiness, soft-focus camera shots for the nativity scenes seemed straight out of the worst kind of children's Bible stories. How much of this was implicit in Burgess's scenario, and how much production gloss is hard to judge.

If all the extraneous tinsel distracted one from the music, the need to hold viewers' attention throughout also tended to blur the outlines of Berlioz's dramatic scheme, in which the reflected "Flight into Egypt" is flanked by the more obviously dramatic "Herod's Dream" and "The Arrival at Sais." The dream itself was one of the more successful portions with Richard Van Allan singing and acting the role with conviction and good dramatic sense. The cast as a whole was potentially a good one: Fiona Kimm and William Shimwell made a handsome-looking Mary and Joseph, Benjamin Luxon a sturdy Ishmaelite Father; Anthony Rolfe Johnson provided a lucid, eloquent narration. But the performance, with the English Chamber Orchestra conducted by Philip Ledger, sounded careful and lacking in tension as if overwhelmed by the winsomeness of the conception.

To add the final touch, the work was sung in its original French with English sub-titles, presumably by Burgess. They proved a further source of irritation, for every line seemed to go out of its way to avoid a literal translation, to the extent of altering the sense of some phrases and replacing the original images with less vivid ones of the author's own invention. When the independent television companies venture so infrequently into production it's a great pity Thames should have lavished its money on something that was always a dubious venture. Perhaps next time they could tackle a real opera.

La Calisto/Royal Court

Richard Fairman

A revival of Cavalli's *La Calisto* brought Opera Factory London Sinfonietta (OFLS) back to the Royal Court on Monday. Reservations were made about the company's ideas on staging Cavalli when the production was new and these must stand; but it is good to see them keeping up opera in this new, intimate and accessible venue and making sure that Cavalli is a sparkling evening's entertainment.

La Calisto, in any case, should never be dull. Each scene — be it the romance of Diana and Endymion or the fury of the goddess Juno — has a brilliant vein of humour just below the surface. Cavalli and his librettist Faustini knew their business. Play the piece in a lively translation (as OFLS do) and the battle is more than half won; a wise producer need only keep the pace up and let the opera do the rest.

David Freeman, OFLS director, does this in part. The evening is kept taut and alive—it is, inevitably, a selective reconstruction of what the composer may have intended — and each member of the company is encouraged to give a dynamic performance. But he has, as usual, excesses to be regretted: the opening trio of beauty queens and band of rugger thugs are the worst — though Linda Kitchen is so brazenly funny in both that one almost forgives him.

The musical standards pull in opposite directions. The orchestra is small, authentic in composition, properly spare in texture. But the singing—Marie Angel's expressive Calisto and the cool, haughty Juno of Janis Kelly apart—often sounds far removed with post-romantic wobbly voices and rough tone. How good it is, though, to hear the text coming across with such lively humour. Over-refined Cavalli recitatives in a language the audience does not understand will never seem worth the trouble again.

La Calisto continues through January and the world première of *Hell's Angels* by Nigel Osborne, the main production of the season, follows with a preview on Saturday.

The Go-Go Boys/Lyric Studio

Martin Hoyle

Greeted enthusiastically on the fringe last year, the Go-Go Boys return from their two-man transatlantic tour to revive their old success at the Lyric Hammersmith's Studio and to prepare a new show (from January 16).

The framework for their amiable collection of sketches and vignettes is provided by the at first glance unlikely friendship of sturdily orthodox Brian and homosexual Stephen. On his way to the Judo club, the former rescues the latter from gay-bashing skinheads. We watch the relationship ripen via Stephen's crusading openness and Brian's nervously humorous embarrassment.

The main story is intercut with short set-pieces: a television quiz game, *So You Think You're Normal?*, a public schoolboy trying to explain sexual bewilderment to his crassly unresponsive father, an MP living down a sex scandal by repudiating "the twilight world of homosexuality."

All make expected points about conventional male attitudes to sex. Indeed, rarely can fine performances and slick production have resulted in such bland predictability. The best moments come with the insanely chauvinistic TV game; the visit to a gay club where straight Brian, allergic to leather, blows his nose on his friend's carefully arranged and arcanely significant handkerchief; and, above all, in the two actors' stylised send-up of macho beer-swillers, all ape-like grunts and leering, if ultimately ineffectual, lechery. Upper-class ignorance is clobbered (at the tail-end of the D. H. Lawrence centenary, after all), but we are not told who provides the norm. And the general air of crusading zeal seems to preclude the possibility that an errant politician might actually *prefer* to go back to wife and family after a gay fling.

Andrew Alty (a Jeremy Irons clone with Black Country tones) and Howard Lester (cockney breeziness crumpling into puzzled embarrassment) are the beautifully disciplined players, besides writers and directors. Jo Richler's music is catchy, I felt guilty at finding the material over-familiar and lacking bite. Better luck with *Balls and Chains* on the 16th.

Theatre news in brief...

The Merchant of Venice is the second production in the Studio Company season at the Leicester Haymarket, opening on January 16. It will then join the first production, *The Phoney Physician* (based on Moliere's *Le Medecin malgre lui*), on a tour in February to small theatres in Melton Mowbray, Oundle, Mansfield and Uppingham. The season will be completed by Christopher Logue's translation of Brecht's *Baal*.

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After *Celebration* closes at the Nottingham Playhouse on February 8, there will be no main house production until *King Lear* opens on April 2. Director Kenneth Alan Taylor says that a major production has been forfeited because the Arts Council has not increased the theatre's grant aid for the year 1985-86.

In the small Sarah Siddons studio, the Playhouse will present *Some Kind of Hero* by Les Smith on January 29, John Godber's *Bouncers* on February 12 and Phil Young's *Crystal Clear* later in the season.

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The Light Rough, a new play by Brian Thompson, opens at the Hampstead Theatre on January 22, directed by Michael Attenborough and designed by Sue Plummer. The cast includes Heather Canning, Louise Jameson, Alfred Lynch and Tony Selby.

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Flann O'Brien's *Hard Life*, an evocation of the Irish writer and one of his novels by Kerry Crabbe, returns to the Tricycle Theatre in Kilburn on January 20. Mike Bradwell's production, first seen in September, has Dermot Crowley in the title role, with support from Susanna Bishop, Paul Boyle and David Blake Kelly.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Dec 27 – Jan 2

Exhibitions

PARIS

The fame of Victor Hugo. To mark the 100th anniversary of the poet's death, some 1,000 documents – grand and less grand, including caricatures, posters, photographs, try to explain the extraordinary phenomenon of Hugo's glorification. Grand Palais, closed Tue. Ends Jan 6 (2615410) Petit Palais adds to Hugo's celebrations an exhibition Le Soleil d'Encre consisting of more than 300 of the artist's drawings and 200 manuscripts belonging to the Bibliothèque Nationale. Petit Palais, closed Mon (2651273).

Old and new: State acquisitions over the last five years. The 240 exhibits range from an Egyptian pleureuse dating from 1800 BC to contemporary artists and comprise paintings, sculpture, pieces of furniture and objects d'art. Among the chef-d'œuvres there is Vermeer's Astronomer, Frans Hals' Jester Playing The Lute as well as works by Manet, Monet and Seurat. Lucas Cranach's Melancholy comes from a provincial museum. Grand Palais. Ends Feb 3 (42603926)

WEST GERMANY

Berlin, Nationalgalerie: Art from 1945 to 1985. With 500 works by 220 artists the Berlin National Museum will display an extensive exhibition of post war art. Ends Jan 12.

Stuttgart, Neue Staatsgalerie: A retrospective of 81 works of the British artist Francis Bacon (born in 1909). The works, covering 40 years, are on loan from the Tate Gallery, London. Ends Jan 5.

Bremen, Kunsthalle am Wall 207: Klee drawings and paperworks from 1921 to 1933. Ends Jan 5.

Düsseldorf, Kunsthalle Grabbeplatz Joel Shapiro: First stop for an exhibition covering 80 abstract sculptures and paintings by the American artist in the last nine years. Ends Jan 19.

Essen, Museum Folkwang, Goethestrasse 41: To honour the German painter Lovis Corinth on the 60th anniversary of his death, the exhibition contains 90 paintings and 40 graphic illustrations. Ends Jan 12.

Berlin, Bauhaus-Archiv, Kingelhöferstrasse 14: Walter Gropius, "The Architect and Designer." An exhibition of paintings, constructions, designs and furniture by Gropius. Ends Feb 2.

ITALY

Florence: Museo di Storia della Scienza: A History of Spectacles. More than a hundred pairs of glasses from the Zeiss foundation (in E. Germany). This is the first time the collection has been shown publicly. Exhibition also includes engravings by Durer, Rembrandt and Japanese artists. Ends Jan 11.

Rome: Museo delle Mura, Porta San Sebastiano: Trade Routes Between the Mediterranean and the Far East in the Ancient World. The museum is set into the Aurelian walls above the gate through which the Appian Way passes and is worth seeing in itself. Organised by the Commune di Roma and the Museo Nazionale d'Arte Antica, the exhibition explores the movement of goods (incense, myrrh, silk and spices) to Italy from the east from the 8th century BC to the Middle Ages. Clear and informative and illustrated mainly by photographs and diagrams, but one felt that the exhibition was aimed more at school outings than tourists and that a lot of the information could have been got just as well from a good book. Ends Jan 5.

Venice: Museo Correr (Ala Napoleonica): Folon: Over 200 works by the celebrated Belgian artist, among them 120 watercolours originally as illustrations to Apollinaire, Prevert, Boris Vian and others. A perverse but gentle painter with a seductive use of colour. Includes delightful watercolours of Venice. Ends Jan 19.

Rome, Castel Sant'angelo: Art And The Banks: A remarkable exhibition of the masterpieces in the collections of Italian banks, previously hidden from the public. On show are treasures such as Bellini's Crucifixion and Filippo Lippi's Virgin and Child. The modern art section includes two sculptures by Manzu, and paintings by Morandi, Severini, Sironi, Carra' and Donghi. Ends Jan 5.

Rome: Galleria Nazionale d'arte Moderna: 'Back to Tradition': A look at official taste in the 1920s and 1930s under Fascist rule. The acquisitions made by the State (taken out of the cellars for this exhibition) are seen alongside the works of such established artists as De Chirico, Sironi, Severini, Funi and Donghi. Until January 5.

Milan: Palazzo Reale and Palazzo Bagatti Valsecchi: Edvard Munch (1863-1944): A large retrospective show by the Norwegian forerunner of the expressionists. An extraordinary conveyor of pain and anguish. Most of the paintings are from the Munch Museum in Oslo. Until March 12.

Calcografia, (Via della Stamperia 6): Valadier the Architect (1762-1839): Drawings and engravings by the prolific architect and town-planner displayed in the Institute of which he was director for more than 53 years. On show are his plans for Piazza del Popolo and the Flaminia area and for the restoration of the Arco di Tito, and drawings of the numerous churches, Palazzi and entire areas of Rome designed by him (such as the Campo Marzio). Particularly charming are a series of 11 delicate pen and wash drawings, not more than two inches square: "Vedute Fantastiche" – imaginary streets, palaces and state settings. Until January 15.

Madrid, Retrospective of Jose Ocana (1947-1983). More than 250 paintings showing two stages of his short painting life: the first, dark and pessimistic of Spanish rural life and the second characterised by lively colours in a naif style. Museo Espanol de Arte Contemporaneo-Meac, Avenida Juan Herrera. Ends Jan 20.

SPAIN

Madrid, Repetitive Structures. 22 works by 21 artists on loan from Ludwig Museum in Cologne, among them, Andre, Judd, Lewitt and Morris engaged in the Minimal movement and Andy Warhol, Lichtenstein und Dine in the Pop Art. Interesting mix of styles and trends. Fundacion Juan March, Castello 77. Ends Feb 16.

Madrid, 100 Masterpieces of Portugal. First of its kind from neighbouring country gives a good retrospective of Portugal's works produced between 12th century and today. On loan from museums, churches, palaces and foundations like the Gulbenkian. Centro Cultural Conde Duque, Conde Duque 9-11. Ends Jan 12.

Madrid, Enzo Cucchi. A selection of artist's drawings and paintings of the past 16 months. One of the top international plastic painters of the 1980s. This show goes on to Bordeaux, New York and Paris. Fundacion Caja de Pensiones, Serrano 60, Madrid. Ends Feb 2.

VIENNA

Kandinsky In Paris 1934-1944: An extensive collection of oil paintings, gouaches, watercolours and photographs from the last 10 years of Kandinsky's life, organised by the Guggenheim Museum, New York. It shows the culmination of his development as pioneer of abstract art, his earlier dramatic exuberance giving way to a more refined style with softer pastels and monochrome colours, but the dynamism remains. In sections on Black Backgrounds and Concrete Art Kandinsky's works are brilliantly complemented by those of Klee, Mondrian, Arp, Miro and Picasso, showing his influence on a generation of European abstract artists. 20th Century Museum. Ends Jan 26.

George Grosz, The Berlin Years (1912-1933): A collection of caricatures of life in Weimar Germany from the First World War to Nazism. Mr Grosz, a committed socialist and celebrated draughtsman, produced powerful caricatures of establishment figures from the church, the Government and the financial world who are portrayed as brutal, pompous and stupid, amid vaguely threatening scenes of urban decay. His images may shock but his stark and realistic style conveys a powerful impression of a turbulent period in Germany's history. At the Twentieth Century Museum until January 21, 1986.

NEW YORK

Guggenheim Museum: 55 major sculptors of the 20th century, including Giacometti, Nevelson, and Johns, are part of the theme Transformations In Sculpture, meant to cover pop art, minimalism and Arte Povera, among other movements of the past 40 years. Ends Feb 16.

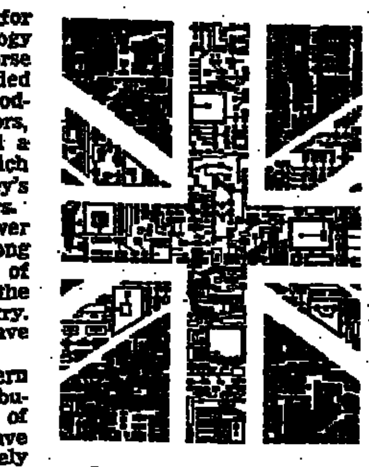
Pierpont Morgan Library: 200 British photographs from the Victoria & Albert Museum cover Fox Talbot to Julia Margaret Cameron and Lewis Carroll among the earliest practitioners in the years from 1839 to 1900. 36th St & Madison Av. Ends Feb 2.

WASHINGTON

National Gallery: The Treasure Houses of Britain collects 700 objects from 200 stately homes in a show mounted and decorated to look like the quintessential stately home, with paintings by Holbein, Rubens, Van Dyck, Hogarth and Turner among many others, as well as Chippendale furniture, Meissen and Sèvres porcelain and tapestry, jewellery and armour. Ends Mar 9.

National Museum of American Art: 73 works of New Zealand Maori artists show the mixture of religious, symbolic and artistic traditions in feather capes, ceramic vessels, carved and painted gourds and woven hangings using native materials. Ends March 9. Renwick Gallery.

Turmoil may be past the worst



INFORMATION TECHNOLOGY

GUY DE JONQUIERES

HOWEVER 1986 turns out for the information technology industry, it can hardly be worse than 1985. The industry ended the year weakened by a bloodbath in semiconductors, sluggish computer sales and a competitive shake-out which unnerved even Silicon Valley's most ebullient entrepreneurs.

The US, hit by slower economic growth and a strong dollar, has taken the brunt of the damage, particularly in the semiconductor industry. Japanese chipmakers have suffered heavy losses, too.

Conditions in Western Europe have been less turbulent, partly because many of its electronics companies have long avoided the most fiercely competitive international mass markets and are cushioned by protected government defence and telecommunications orders at home.

But Europe's conservatism poses other problems. Trapped by captive home markets, much of its industry lacks the economies of scale needed to compete internationally. For its governments, finding ways to catch up is fast becoming a survival issue and companies such as West Germany's Siemens and France's Thomson are starting belatedly to make a bigger international push in high-technology.

The turmoil on major world electronics markets may now be past the worst. Semiconductor prices, a sensitive leading indicator for the whole industry, have started to firm, partly due to plant closures and to politically-inspired price increases by Japanese suppliers.

It is uncertain whether this will be enough to head off growing protectionism in the US, whose deepening IT trade deficit has been aggravated by a flood of imports following the break-up of AT & T's Bell Telephone System. An increasingly nervous and bellicose US industry has rushed to blame Japan.

Solid evidence of a broad-based recovery in demand on world markets remains scarce, and few people are ready to bet on an upturn soon. Even IBM, which knows more than most about industry trends, says it finds the omens exceptionally hard to read and is approaching 1986 cautiously.

The outlook is influenced by more than just cyclical factors. Secular shifts in technology and costs are changing the IT industry's economics. Some parts of it, notably the mass-produced "commodity" chip business, appear to be growing mature at a remarkably early age, while in many products software is now a much bigger cost than manufacturing.

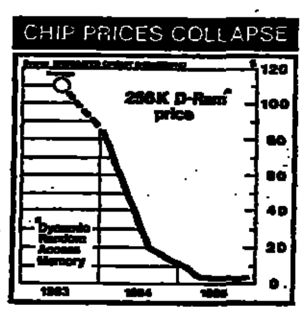
As IT product life-cycles shorten and margins narrow, seizing new market opportunities fast and achieving high production volumes early are essential to survival. The pressures are particularly severe for IBM's smaller rivals, such as troubled US computer makers CDC and Sperry.

Caught awkwardly in the cross fire, an increasingly anxious Europe is casting around for solutions. Its latest miracle cure is the Eureka programme of high-technology collaboration agreed in outline by 18 countries last autumn.

The programme's practical goals are still hazy and its significance so far seems largely political. To be effective, it will need to help companies expand their markets as well as to pool their technological resources.

How much Eureka can do to strengthen Europe's near-term competitive position is doubtful —and time is running short. After being relegated to minor league role in computers and microchips, Europe's IT industries are now fighting for their life in telecommunications.

There have already been defensive rationalisation moves in the French, Italian and British telecommunications industries. There has been much talk of European collaboration, but few deals—partly because European companies share so many of the same weaknesses. Link-ups with US companies continue to predominate.



Many of European industry's problems are due to restrictive monopoly policies which have kept national telecommunications markets closed, encouraged inefficient duplication and starved suppliers of the stimulus of competition.

Pressures for change are starting to gather momentum, though. Britain has opened its market to international competition, and other European countries are now studying varying degrees of liberalisation.

If more open markets result, they could enlarge the scope for intra-European collaboration and boost the kind of smaller entrepreneurial companies which have stimulated innovation in the US. In Europe, rigidly regulated markets and preferential procurement have long conspired to ensure the survival of the fattest.

The danger, though, is that governments may seek to protect their markets from tougher foreign competition by reverting to "national champion" policies. These have already contributed to Europe's problems by creating too many companies which are giants at home but weaklings internationally.

Shadows on the bright dawn of deregulation

BANKING

DAVID LASCELLES

THE New Year dawns bright but crisp for the world's bankers.

In a business where good fortune sometimes means merely the absence of disaster, bankers have every reason for feeling satisfied with 1985: there were no new Continental Illinoises or JMBs, and the thread by which the Third World debt problem hangs did not snap. On top of that, most banks made money on a gratifying scale.

Judging by the generally optimistic forecasts that economists are making for 1986, business should be good in the months ahead too. Economic activity will continue to expand, and with it the banks' bread-and-butter loan business. Interest rates may also ease, though this is a mixed blessing for banks with low funding costs. So long as their customers thrive, the biggest worry for banks—bad debts—should also subside.

And bankers will need a friendly environment, because in other respects they face some hefty challenges in a fast-changing world.

With luck, the long-awaited explosion of the debt crisis will again be postponed. But despite the recent initiative launched by Mr James Baker, the US Treasury Secretary, to channel new money to the Third World, the threat is unlikely to be defused.

The banks are understandably reluctant to heed Mr Baker's call to increase their loans unless Western governments and official institutions also stump up new money. And there is a danger that the Baker plan will—despite the banks' well-orchestrated endorsement just before Christmas—get bogged down with everybody saying: "You first." Some strong leadership will be needed to keep it moving.

Meanwhile, the finances of many LDCs will continue to deteriorate. Even if banks do not advance new funds, they will still bear the cost of the crisis in the form of the higher provisions that prudence dictates they will have to make against shaky loans. Most likely, 1986 will be another year of muddle-through as far as Third World debt is concerned.

For many bankers not directly concerned with it, the LDC crisis will be an unwelcome distraction from the much more exciting prospects that should unfold in 1986 as the steady deregulation of the worldwide banking business gathers pace. This year will bring, among other things, the

Supervisors will be breathing down their necks

Big Bang on the London market and steps to liberalise other markets as well.

On March 1, UK and foreign banks will be allowed to buy in full the various stockbroking and jobbing firms with which they have formed alliances in the City Revolution. They will then have just under eight months to weld them into new-style banking-securities conglomerates before October 27, when access to the Stock Exchange is liberalised.

That in itself will be a major task. Whether this great shake-up of the City leads to a bonanza or—as many fear—a bloodbath will not become clear until next year, or even the year after that. But it is all part of the worldwide process in which the banking and securities markets are coming closer together, and which, for that reason, is seen by most bankers as necessary, if not desirable.

Other European countries—Germany, Holland, France and possibly Switzerland—will also be liberalising their financial markets this year, partly to fend off the powerful competition now presented by London. All these changes should give banks, particularly non-domestic ones, greater access to local securities markets, and widen the global marketplace.

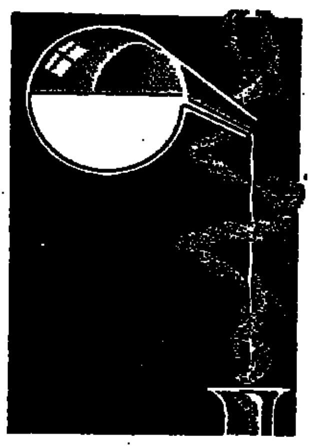
Less progress is likely in the world's two biggest financial markets, New York and Tokyo, where legislative barriers prevent banks from entering many parts of the securities business.

In the US, the political tide has moved against further financial deregulation despite the loopholes that make a mockery of much bank law. But in Japan, the Government is gradually easing by administrative means —and under intense foreign pressure—the barriers to foreign banks. This should hasten the growth of Tokyo as the Far East's undisputed leading financial centre. Any foreign bank without a branch—preferably with a securities trading licence—in Tokyo by the end of this year will be a laggard in the international banking race.

Amid all these changes, bankers will feel the breath of the supervisors on their necks. Virtually everywhere, banks will be under pressure to boost their capital resources to withstand the shocks of change. While that is not particularly new, equal treatment is likely to emerge as an increasingly pressing issue. Banks whose regulators demand high capital ratios, such as the UK, the US and Switzerland, already complain about banks from countries, such as Japan, which do not. Supervisors will have to bring forward moves towards international harmonisation, particularly on the treatment of contingent liabilities, last year's big growth business.

In the UK, banking supervision will also be tightened up with a new law shaped in the wake of the Johnson Matthey Bankers affair. But legislators will need to tread a careful line between making banks more accountable and loading them with extra regulation, which would simply drive business out of London.

Hopes of a turning point



CHEMICALS

TONY JACKSON

FOR EUROPE'S chemical producers, 1986 could be a turning point. It is just possible that it could see petrochemicals producers waking up from a five-year nightmare.

Petrochemicals are by no means the whole of the chemical industry, but they are by a long way its biggest problem. Ever since producers geared up in the 1970s for growth that never came, the industry has been plagued by overcapacity. The problem still exists, but in 1986 it could be much eased through a combination of increased demand and reduced supply.

On the demand side, a great deal depends on whether Opec is breaking up and the world is about to return to a free market price for oil.

The slowing in demand for plastics in the 1970s, and the actual fall in demand in the early 1980s, broadly coincided with the two oil shocks of 1973 and 1979. It seems natural to suppose that falling oil prices would have a similar effect in reverse.

But demand for plastics and petrochemicals has depended on a number of factors—the health of the world economy, the cost of feedstocks and the maturity of the products themselves.

The effects of a lower oil price on the world economy should, on balance, be beneficial. As to feedstock costs, lower prices could have complex effects beyond the mere stimulus of demand.

When oil prices were at their peak earlier in the decade, variable costs—that is, feedstocks and fuel—made up some 70 per cent of the cost of European petrochemicals production. European producers therefore had to concentrate on getting the highest cost for their products, even if that meant some under-utilisation of capacity.

Lower oil and feedstock prices would tend to the opposite effect. Fixed costs would loom larger in the equation, and a higher priority would have to be given to full utilisation of plant, even at the expense of prices. In addition, lower feedstock costs might give some advantage to new plants in the non-oil producing countries of the developing world, such as Turkey and the Philippines, with their lower fixed labour costs.

Plainly, though, a real fall in oil and feedstock costs would be welcome. From the purely UK viewpoint, any consequent weakening in sterling's petrocurrency status would help ICI against German competition. For the industry overall, though, there remains the question of the maturity of the industry's portfolio of bulk products.

Polyetheylene, one of the industry's mainstays, was invented by ICI in its Cheshire laboratories 53 years ago. PVC was invested in Germany a very few years later. Much of the phenomenal growth in petrochemicals in the 1950s and 1960s came through the substitution of plastics for traditional materials. In the view of many in the industry, the bulk of that substitution is now over.

The collapse of Opec would not lead to pre-Opec growth rates — nor is the industry, still shaken by the experiences of the early 1980s, likely to expect it. On the contrary, it looks as if improved demand might be assisted next year by a drop in European capacity.

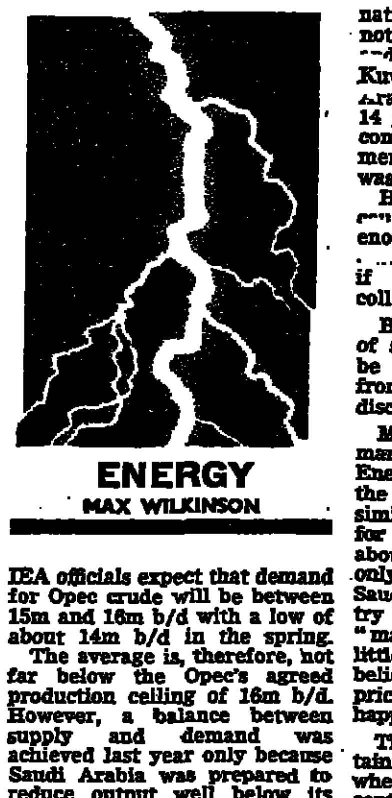
In the shake-out of 1980-82, when the first large chunk of overcapacity was taken out of the industry, it was a source of grievance to producers in the private sector that nationalised chemical plants around Europe were not playing their part. In France, Italy and Spain for instance, political considerations hindered their governments in attempts at plant closures.

It looks as if the politics may be changing. Stuart Wamsley, of London stockbrokers W. Greenwell, says: "This time round, the state-owned companies are leading the way in getting capacity down. Their governments are telling them they can't be supported any longer—the money isn't there. The private sector companies did the earlier work on rationalisation—now the state companies are pulling their weight."

If these closures go according to plan, one contentious issue in 1985—access of new Saudi Arabian petrochemical products to Europe—would lose much of its force. Europe's fear of Saudi competition has been largely based not on the Saudi advantage on feedstock costs, but on its own problem of overcapacity. Solving that problem would do much to remove the threat, and if world feedstock prices were to fall significantly, the sole Saudi advantage would be eroded in any case.

Recovery in petrochemicals would also ease the stampede into speciality chemicals—an area not easy to define, but not large enough to shelter a whole industry from the effects of the chemicals cycle. In the latter part of 1985 many of Europe's largest producers tacitly accepted that, and began to increase their exposure in selected petrochemicals through plant swaps and mergers. At the time, the strategy looked purely defensive; it may turn out to have been rather clever.

Not so far to the $20 cliff if oil prices continue to fall



ENERGY

MAX WILKINSON

PLENTIFUL SUPPLY, weak demand, low production costs and an enfeebled cartel, controlling only 30 to 40 per cent of output: these must be textbook conditions for a falling price, and the oil industry has read the lesson.

Almost everyone expects some weakening of the oil price in 1986, particularly when warmer weather pushes demand down from the relatively high levels reached towards the end of last year.

The big question is whether this will happen as an orderly retreat, through gradually sharper discounting, or a rout which could make 1986 the year in which a trend towards much cheaper oil was decisively established.

Most analysts are betting on the former, partly no doubt because prophecies of a collapse in the oil price have too often been falsified in the past two years and also because the underlying picture of supply and demand for 1986 does not point to any dramatic changes.

Nevertheless, the disunity shown by Opec last year, its difficulties in agreeing how to share out production cuts, and the persistent tendency of some members to break these agreements have increased uncertainties in a market where the presumption is overwhelmingly that prices will move lower.

For that reason the possibility of a $20 barrel of oil has to be taken seriously. Few people in the industry are prepared to look over the $20 cliff, mainly because the implications for the stability of the world economy then become alarming. Countries as diverse as the UK, Mexico and the US would suffer severe adjustment strains if the price fell suddenly to that level, not to mention the Gulf states.

The nervousness of traders was shown immediately after the Opec meeting in December when North Sea prices fell to $26.50 a barrel compared with $30 only a couple of weeks earlier. The marked change of emphasis in Opec from cutting production to a struggle for market share led to immediate speculation of a global price war.

But after a couple of days the market steadied.

The major forces of supply and demand which underlie this uneasiness can be seen clearly in the latest projections, from the Paris-based International Energy Association. They suggest that total demand for oil from the industrial world will be almost the same this year as last at an average of 45.8m b/d. This continues the flat trend since 1982, when oil demand settled at a level about 12 per cent below its 1979 peak.

Supply from the non-Opec countries is expected to continue to rise to a level around 30 per cent higher than in 1979.

IEA officials expect that demand for Opec crude will be between 15m and 16m b/d with a low of about 14m b/d in the spring.

The average is, therefore, not far below the Opec's agreed production ceiling of 16m b/d. However, a balance between supply and demand was achieved last year only because Saudi Arabia was prepared to reduce output well below its 4.4m b/d quota. In the summer Saudi production fell as low as 1.8m b/d on some days, though it averaged 2.4m b/d.

The question, therefore, is who will cut production when demand falls from the unexpectedly high levels of last autumn. Saudi Arabia has made it clear that it will no longer scale back production to make up for price-cutting by other Opec members and will sell close to its full quota at whatever discount is necessary. Even if there is an element of bluff in that, most analysts believe the kingdom is in earnest.

As Mr Herbert Krupp, senior energy economist at Bankers Trust, says, most producers outside the Gulf have big balance of payments problems and huge external debts. The warring nations of Iran and Iraq cannot be expected to cut output, and the other Gulf producers, Kuwait, Qatar and the United Arab Emirates, were producing 14 per cent more oil than their combined quotas even last summer, when demand for Opec oil was severly depressed.

He believes that these three countries are in a healthy enough financial position to [illegible] and would do so if prices seemed likely to collapse.

But he says: "The possibility of sharp price declines cannot be dismissed and could result from a breakdown of Opec discipline over production."

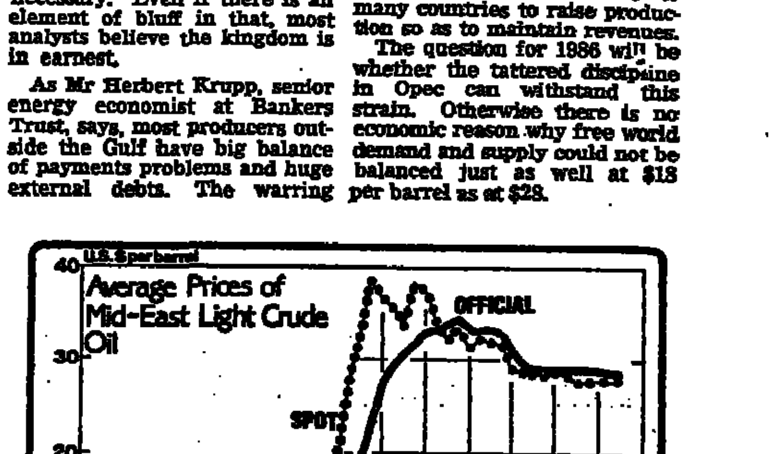
Mr Joseph Stanislaw, oil market specialist for Cambridge Energy Research Associates, the US consultant, comes to a similar conclusion: that demand for Opec crude will remain about 15½m b/d next year, with only a modest rise in 1987. Saudi Arabia, he believes, will try to lead prices down in a "managed retreat" to $25 or a little less by next year. But he believes a sharper drop in spot prices to perhaps $22.50 could happen this spring.

The most immediate uncertainties include the question whether the Soviet Union will continue to curtail sales to the West and the effects of the Iran-Iraq war on Gulf supplies.

The volatility of the oil markets is likely to be heightened by the effect of stock levels. Non-government stocks are now equal to about 72 days of consumption, which is 10 per cent less than a year ago and the lowest since 1978.

Lower oil prices are unlikely to provide any immediate stimulus to consumption but they may give a perverse incentive to many countries to raise production so as to maintain revenues.

The question for 1986 will be whether the tattered discipline in Opec can withstand this strain. Otherwise there is no economic reason why free world demand and supply could not be balanced just as well at $18 per barrel as at $28.



Optimism is building up

UK CONSTRUCTION

JOAN GRAY

FOR THE first time in years, there is growing optimism about the outlook for the construction industry.

The National Council of Building Materials Producers, for example, estimates that real growth in the past year of 2 per cent will be followed by 2.5 per cent in 1986 and again in 1987. Stockbroker Savory Milln sees 3 per cent real growth in the past year followed by 2.5 per cent in 1986 and 3 per cent in 1987: NEDO sees 3 per cent for the past year, 1.5 per cent in 1986 and 2 per cent in 1987.

This new-found optimism arises from the improvement in the economic climate, the growth of GDP and the strong possibility of a 4 per cent growth in consumer spending in the coming year.

Private sector builders benefit if salary levels rise faster than inflation because house purchasers tend to trade up. At the same time the current spate of company mergers — leading to rationalisation disposal, redevelopment and refurbishment of properties—has given office builders a sense of optimism.

Moves toward seven-day trading should mean more warehouses, more shopping centres and more distribution facilities, builders hope.

This pattern of consumer-led growth means that forecasters are broadly agreed about exactly where the construction industry's recovery is coming from.

It will come from building, which depends on private initiative, rather than from civil engineering, which depends on public spending. Building, repairing and improving houses, offices, shops, hotels, leisure centres and other commercial developments will see growth.

Industrial building is the only private sector construction activity which has a question-mark hanging over it in the forecasts.

New industrial building has been one of the industry's star performers lately. It grew by 25.3 per cent in 1984 and by approximately 20 per cent last year, as advantage was taken of industrial building allowances, which will end in April 1986.

The phasing out of these capital allowances, with high prices for industrial building land in the favoured areas of the South East and some oversupply of the much-vaunted "high tech developments," has led to fears that the industrial building boom could be about to end.

However, there is a greater degree of concern in the public sector, where construction work-loads have plummeted.

The value of public sector construction work—the roads, sewers, dams and bridges which make up the civil engineers' principal workload fell by an estimated 3 per cent last year. This followed a small rise in 1984 of approximately 1.2 per cent, but from a very low base.

The gap between public and private sector performance explains why, in the midst of general optimism, Mr Derek Gaulter, director-general of the Federation of Civil Engineering Contractors, continues to argue that "the outlook is gloomy as usual and we are in a pretty horrifying situation."

There is, no doubt, an element of special pleading in this.

Civil engineers, like farmers, never have a good year—a point noted by Mr Kenneth Baker, the Environment Secretary, in his observations that "the construction industry has shared in our economic recovery, with output over the past three years up by nearly 10 per cent."

"The leading firms are showing the benefits of this in their results," he added: "Lovell, with profits up 42 per cent; Laing, up 32 per cent; and Tarmac, up 25 per cent."

However, much of these big companies' recent growth in profits has come from their increased involvement in other activities, such as property development, private sector housebuilding, or selling building materials. It has not come from civil engineering.

The Government's housebuilding programme has also been cut. The number of public sector house starts has fallen from 39,500 in 1984 to a forecast 30,000 this year and 25,000 next year. This low level—about the minimum number required to meet the needs of the disabled, elderly and very poor — is unlikely to be exceeded under the present Government.

But attitudes may change slightly after pleas for increased spending on Britain's infrastucture, and stinging reports on the state of Britain's housing and inner cities from bodies as diverse as the Church of England and the Duke of Edinburgh's housing commission.

Mr Baker already admits that there is a problem with Britain's infrastructure and is ready to talk about tackling it; his junior, Mr John Patten, Minister for Housing and Construction, says he will "fight" for his industry and "do all I can to help it."

Men with designs on the high street

UK RETAILING

DAVID CHURCHILL

AFTER YEARS of stagnation in the 1970s, the pace of change in retailing in the mid-1980s is accelerating. This year the abolition of restrictions on shop opening hours will pave the way not only for lawful Sunday trading but also for more late-night shopping during the week.

In 1986 shopping should become more entertaining — a consequence of the rise to pre-eminence during the last few years of retail designers such as Rodney Fitch, Michael Peters, and Sir Terence Conran. Their rationale is that shoppers need to be wooed into stores with gaudy designs and eye-catching displays of colour and lights.

Sir Terence has generally been regarded as the guru of this design-led phenomenon in the High Street. But even his most-famous creation of the past 12 months — the "galleria" design for the new Debenhams stores—is unlikely to see the light of day in 1986.

It is more likely that his appetite for takeovers may be given further vent after his recent link-up with British Home Stores and his intervention which helped Burtons win control of Debenhams.

The most talked-about targets for mega-takeover bids are Boots and W. H. Smith—two companies which perhaps have not performed as well as they should and whose retail operations could benefit from the injection of new ideas. Littlewoods' troubled chain stores might also prove attractive, especially as they are mainly freehold properties, while even Marks and Spencer could consider moving into mail order, perhaps by means of an acquisition.

Two aggressive entrepreneurs to watch are Mr Alec Monk of the Dee Corporation and Mr James Gulliver of the Argyll Group, especially if the latter fails to win control of Distillers.

Their predatory ambitions are more likely to fall outside the food retailing sector since that is one area where any increase in concentration is watched carefully by the Government. But 1986 could be the year when Tesco and J. Sainsbury — baulked from buying growth in the UK—both move overseas in a big way.

At home, retailers' main concern will be whether the buoyancy of consumer spending over the past 12 months—volume sales were some 3 per cent higher overall last year than in 1984—will continue through 1986. After the record Christmas just past, retailers are in a fairly optimistic mood.

Average earnings are still outstripping retail price rises, so those in work are enjoying a rising standard of living and have more discretionary spending power.

Retailers are already looking towards pre-election tax cuts to boost demand.

The advent of seven-day-a-week shopping from the autumn will, it is argued, increase sales volume in the short term although thereafter it is likely to lead to a spread of the same level of trade over a longer period.

What the ending of restrictions on shop opening hours will do, however, is to give a further boost to the development of convenience stores. These stores, based on the well-established US models, are filling the gap in the market created by the trend towards superstore and hypermarket shopping. As retail outlets get bigger, so there seems increasing demand for stores which open early in the morning or late at night.

The potential of convenience stores, moreover, is likely to attract other major companies into the fray to join the Imperial Group and Guinness.

Yet while there seems scope for growth among small retailers providing a service, especially in the food sector, those retailers most under pressure will be the medium-sized store chains.

There is little chance in 1986, however, of the Government taking any action to curb the multiples' muscle, especially the claims from food manufacturers that they are unfairly being squeezed by the big retailers to give extra trade discounts. But there are signs that behind-the-scenes talks between the major manufacturers and retailers may produce a code of practice.

Perhaps the most significant developments over the next 12 months will be equally low-key. The retail sector is slowly coming to grips with new technology and 1986 may finally bring some agreement between the retailers and the banks over the introduction of Eftpos — Electronic Funds Transfer at the Point of Sale.

At the same time, retailers such as Tesco and Littlewoods will continue their experiments with tele-shopping at home via personal computers and the viewdata network.

The era of cashless shopping via computer terminals may not actually be with us yet, but 1986 could bring it a lot closer.

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Outlook for arms control

AS 1986 opens, the central focus of hope and anxiety rests, as ever, on the relationship between East and West and, within that strategic context, on the prospects for an arms control agreement between the superpowers. These negotiations will be a critical test of the intentions and the strategy of Mr Mikhail Gorbachev, as well as of the coherence of the Reagan Administration, but they will also place an unfamiliar burden on the Nato allies in Europe.

The prospects are ambiguous. It seems fairly clear that, after five years of frost and mutual recrimination, Mr Mikhail Gorbachev wants to establish a new and better relationship with the US. Many factors push him in this direction. Externally, the Soviet Union has gained nothing from its adventures in the Third World in the 1970s and the collapse of detente. Domestically, the top priority (often proclaimed and as often deferred) must be economic reform but the possibilities of reform are severely circumscribed by East-West antagonism, by the consequent restrictions on East-West trade and by the dangerous prospect that a new arms race could impose an even heavier drain on Russia's stretched resources.

Basic strategy

There is much less clarity about the Reagan Administration's basic strategy towards the Soviet Union. No doubt the President personally desires a better relationship with Moscow, and he has made much of the value of last November's summit meeting in Geneva, but his Administration is still deeply divided not only on the desirability and negotiability of a major arms control agreement but also on whether such an agreement would, by itself, be a solid basis for an improved East-West relationship. In particular, and despite the softening of the public rhetoric, it still evinces a strong conviction that the Soviet Union is not only the source of much of the trouble in the world but is also in some sense an illegitimate power.

Such sentiments are understandable but scarcely useful. The Soviet Union does not practice the liberal, democratic values which confer legitimacy in the West and its conquest of its East European empire remains a permanent source of instability and potential danger. Moreover, there is no question that its expansionism and its military might make the Soviet Union the most serious threat to western security.

Nevertheless, emotional anti-Communism constitutes an unreliable basis for a coherent foreign policy and it can only complicate the task of trying to establish a more constructive relationship. Formally, there are clear resemblances between the components of the present Administration's approach and the detente master-minded by Dr Henry Kissinger 15 years ago: nuclear arms control negotiations, conditionally linked to Soviet restraint in the Third World and the alleviation of human rights abuses inside the Soviet bloc. The central difference is not that the Reagan Administration rejects the term "detente" but that its reflex instincts are suspicious of, even hostile to, the possibility of detente.

Bench-mark target

Just how far Mr Mikhail Gorbachev is prepared to go for the sake of a better East-West relationship can only be a matter of speculation at this stage: Soviet public rhetoric remains entirely vague. If, as seems possible, the new Soviet leadership were more strongly committed to the restoration of some kind of detente than the Reagan Administration, the implications could be far-reaching.

The Soviet Union would be likely, for the first time in 40 years, to take and keep the initiative in the Geneva talks; indeed, this has already started happening. Last year Mr Gorbachev moved quite quickly to establish the new bench-mark target of "50 per cent" cuts in strategic nuclear weapons. Naturally, the details of the Soviet proposals were neither as simple nor as equitable as the slogan, nor does a slogan make an agreement any easier to negotiate. Nevertheless, the Soviet commitment to arms control may be judged by whether that initiative is followed by others.

The second test of Moscow's commitment to the arms control process will be Soviet conduct in the Third World. It would be unrealistic to expect any renunciation of long-standing Soviet ambitions or ideological objectives. It is less unrealistic to suppose that the new leadership might reappraise the usefulness of these ideological objectives from the standpoint of Soviet national interests, narrowly defined. In any case it would be surprising if the Soviet Union were gratuitously to seek opportunities for expansionism in the Third World, at least so long as the arms control negotiations are in progress; that would simply hand extra ammunition to American hawks who are already opposed both to arms control and to reconciliation with the Soviet Union.

In this context, there may be encouragement in hints that Moscow is interested in a political solution to the six-year Afghan war, not so much because a political solution is really available but as a sign of Soviet attitudes.

European responsibility

An arms control negotiation in which the Russians took the lead would place on them more of the burden of seeking a deal which is negotiable and it should improve the chances of an agreement which is ratifiable by the US Senate. The disadvantage is that if it is clearly perceived that the Russians want an agreement more than the Americans, the hard-liners in Washington may find it easier to keep raising the price out of range.

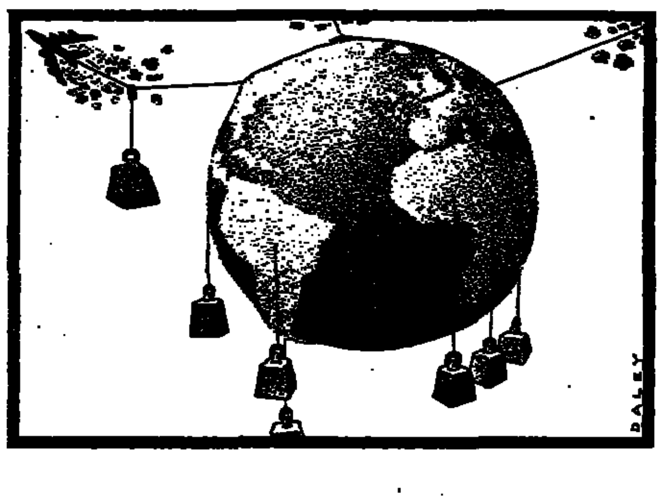
If this is the configuration, it will place a heavier responsibility on America's European allies than they have borne in previous arms control negotiations. So far they have given consistent public support to the US negotiating posture, as well as to the *research* aspects of the Strategic Defence Initiative. Conversely, they have withheld support for the *strategic* implications of SDI and they have declined to identify too closely with the details of the US position. The British Government has refused publicly to endorse the US claim that the Krasnoyarsk radar violates the 1972 Anti-Ballistic Missile Treaty for fear of strengthening the hand of the US hawks.

As the negotiations progress, the Europeans will scarcely be able to avoid exerting their weight in the scales; even if they do not do so as a body, they will certainly need to co-ordinate their views. For the time being there is no dilemma since the Geneva talks are only just getting under way. President Mitterrand will not be able to elude the question when he visits Moscow and the European allies as a whole will find it more difficult to give blanket endorsement to the US position if the Reagan-Gorbachev summit in Washington produces as little as their meeting in Geneva.

FORECASTS 1986

The modest but perilous recovery continues

The world economy resembles an aircraft flying at minimum speed — theory shows it can stay aloft, but in practice the slightest shock could send it crashing down



THE WORLD ECONOMY

By Anatole Kaletsky

IF ONLY the world were a single country, economic policymakers might have an excuse for quiet self-satisfaction today. After three years of recovery, the world economy seems set for another year of steady, if unspectacular, growth.

Moreover, as last month's OECD Economic Outlook noted, the present global recovery has already lasted twice as long as the post-war average cyclical upswing, with no signs of capacity constraints, inflationary pressures or shortages of raw materials or fuels. Hopeful whispers are sometimes even heard about a return to the golden age of non-inflationary growth which ended in the early 1970s.

Admittedly, this recovery has lacked in strength what it has made up in endurance. In fact, if the world economy were really transported back into the golden age of the 1960s, we would today be moaning of a new recession, not celebrating a recovery at all. Growth for the industrialised countries in the continuing "recovery" of 1986 is likely to be slower, at 2¾ per cent, on the OECD's forecasts, than it was in 1970, the worst year of "recession" in the era of fixed exchange rates before the oil crisis.

Nonetheless, by the unexacting standards which Western politicians have set themselves—and apparently persuaded their electorates to accept—economic conditions seem satisfactory enough.

Inflation should decline this year to 4.5 per cent—its lowest level since 1968—according to the OECD's forecasts. Oil and commodity prices have fallen sharply, with nowhere to go but downwards. A massive redistribution of income in favour of the industrialised countries has been achieved as a result, not only from Opec but also from the producers of raw materials and simple manufactures in the Third World.

Few Western politicians, or even businessmen, may understand the precise definition of "terms of trade"; but the collapse in the Third World's raw materials prices relative to the First World's prices for sophisticated equipment and financial services (above all interest payments made on Third World loans) has been a major factor behind the sense of well-being reflected in opinion polls, consumer confidence surveys and stockmarkets indices throughout the industrialised world.

Meanwhile, worldwide capital investment, which in 1984 recorded its fastest annual growth rate since 1960, should continue to expand at over 4 per cent in 1986—nearly four times as fast as in the 1973-79 period. Even profits have returned, in relation to the OECD's total income, to levels last seen in the 1960s, thanks largely to the lower growth of wages, but partly also because of improving terms of trade with the Third World.

Unemployment, of course, remains uncomfortably high; but even this dark cloud looks rather less ominous from a global perspective. For the OECD as a whole, the unemployment rate has now stabilised at 8¼ per cent, just 3 percentage points above its 1974-79 level.

Those 3 percentage points represent some 11m people who would today expect jobs if the economic assumptions of the mid-1970s were restored. But almost all the rise in unemployment has taken place in Europe. And the Germans, whose policies at present dominate the whole of Europe, seem to find sufficient consolation in the fable of the tortoise and the hare.

There may be little evidence that the European tortoise will ever catch up with the American hare in terms of total output or employment, as long as present policies continue. But the Germans seem to take particular pride in their slow-but-steady approach to economic growth, and with every year that passes, European societies are becoming more inured to unemployment.

Cuts in working hours, unproductive make-work projects and plain idleness, particularly among the young, have been accepted as inevitabilities throughout Europe, even in Germany. And despite reductions in social benefits, less and less opprobrium attaches to living off the state, in countries where every family or group of friends is touched by unemployment in one way or other.

Taking the industrialised world as a whole, then, there seems no reason to expect a break with recent modest economic trends.

The world, however, is not a single unit. It is a set of powerful nations, with the potential to disrupt the international trading and financial systems in a variety of different ways. And in the late-1980s, the unco-ordinated financial, trading and fiscal actions of the leading industrial countries could create every bit as much havoc in the world economy as the trade unions and oil sheikhs who dominated the economic demonology of the last decade.

There are three great international economic imbalances—in trade, in savings and investment and in international finance—which will have to be rectified somehow in the years ahead.

All are encapsulated in a familiar figure: the US current account deficit, which the OECD expects to rise to $146bn this year. But the common belief that these deficits are essentially America's problem is the most dangerous illusion which threatens the world economy today.

The malady afflicts the whole of the world economy and the trade *surpluses* of Japan, Germany, or Brazil, projected at $65bn, $40bn and $12bn respectively, are as much its symptoms as the US deficit.

These figures imply that millions of the jobs created in Osaka, Duesseldorf or Sao Paolo are really "Made in America."

They imply that the US economy is spending 3.5 per cent of GNP more than it earns, but also that Japan and Germany are exerting deflationary pressure on their own and the world's economies equivalent to 3.7 and 2.8 per cent of their GNPs.

And they mean that Japanese and other foreign investors are accumulating claims on the US economy at a rate of nearly $150bn a year—claims which Americans will have to service by foregoing their own consumption and investment for the indefinite future.

In a single country, there might be nothing particularly worrying about such imbalances. Either they would automatically correct themselves or they would never come about in the first place.

If Japan and America were one country, it might not matter too much whether jobs shifted from one region to another—eventually the workers would move to where the jobs were. If they had a single government, then its tax cuts and public spending would stimulate consumption in the Japanese, as well as the American, part of the federation. If one local authority tried to borrow continuously at a rate much higher than others, it would either be stopped by central government, as in Liverpool today, or it would lose its creditworthiness, as in New York 10 years ago. If it did manage to go on borrowing, it would have no way of reneging on its claims later by pleading sovereign immunity or letting its currency collapse.

But America, Japan, Europe and the debtor countries of the Third World do not have a single government or a common currency. This is why the threat of international crises—protectionism, Third World debt and currency misalignment—will continue to rumble beneath the seemingly steady surface of the world economic recovery, as long as the present imbalances of trade, financial flows and fiscal policies persist.

There is no difficulty in theory in prescribing policies to avoid international disasters;

A fiscal tightening in the US would be accompanied by a relaxation in Japan and Europe. Separately, but almost as importantly, Third World countries would be allowed to follow more stimulative policies, supported by flows of commercial and official funds sufficient at least to offset the huge resource transfers which are now taking place from the poor to the rich countries of the world.

These are essentially the objectives of the two initiatives launched in the past few months by Mr James Baker, the US Treasury Secretary. So far, however, both their presentation by America and their reception by the rest of the world have been half-hearted.

On debt, the problems arise mainly from ideology and institutional caution. It is impossible politically to diminish the role of the IMF in the design of Third World adjustment programmes. But it will also be difficult to push the IMF away from the innate deflationary bias round which its programmes have always been built. This could lead to serious financial disruptions in the years ahead as debtors seek to break free from the IMF's restraints. Like the debt crisis in general, the fate of the Baker debt plan will depend not so much on the IMF's or the debtors' actions, as on the success of economic policies in the industrialised world.

It is the Group of Five's attempt to shift the balance between America and the other major economies which could hold out hope of marked improvement in world economic performance in the second half of the 1980s. However, a reduction in the value of the dollar can only promote a limited part of the international rebalancing which is now necessary.

Even at the dollar's level today, the US current account deficit will continue to grow for several years and America's foreign debt will accumulate to around $1,000bn by the end of the decade.

According to a recent study by Mr Stephen Marris of the Institute for International Economics, it would take a further devaluation of 25 to 30 per cent to restore the US current account to balance, in the absence of expansionary policies in Japan and Europe. Even then, the US net external debt would have to rise to almost $500bn before it levelled off — and the anxieties of the foreigners who will have to accumulate this mountain of depreciating dollar assets will continue to overshadow the world economy for years to come.

At present, neither Germany nor Japan appear to take such arguments seriously. It is up to the Americans to put their own house in order: this is the sanctimonious view from Bonn and it is shared, willy nilly by other European governments, which are tied to Germany's policies through the European Monetary System.

The US current account should be restored to balance through a tightening of US fiscal policy, a decline in interest rates and a fall in the dollar, not by an "artificial" expansion of demand in the rest of the world.

In the end, Japan will probably be forced to yield to US pressure to cut drastically its surplus on the current account. It could do this not only by boosting its budget deficits but also by shifting its fiscal and financial structure towards the encouragement of domestic investment and borrowing, rather than savings.

Germany's resistance to Mr Baker's demands may prove more stubborn. The German government's confidence has been greatly reinforced in recent months by a strong acceleration of investment and consumer spending. Although the OECD has described the 6 per cent annual growth rate of final domestic demand in the second half of 1985 as a "largely technical" response to the 2.5 per cent fall in the first half, Bonn sees it as final confirmation of its long-standing economic faith — that the only "stimuli" required to keep the Germany economy powering ahead are low government borrowing, low interest rates and low inflation.

If the Germans are right, then another year or two of slow but steady growth could really be in prospect for the world economy, as predicted by the OECD, the IMF and almost every other economic forecasting institution.

But what if they are wrong? What if demand in Germany fails to accelerate from 1½ per cent in 1985 to 3 per cent this year, as predicted by the OECD model? Growth in the rest of Europe will then continue to be restrained by its desire to keep abreast of the Deutsche mark. Either the US current account will fail to narrow, or a reduction will have to be achieved by a collapse in the dollar to the DM 1.6 level suggested by Mr Marris. This in turn could precipitate a new recession in Europe's export-dependent economies, send the Third World into a tailspin and possibly usher in a new protectionist era.

Such sudden shocks are not, by their nature, susceptible to economic modelling of the kind which is churning out the broadly satisfactory predictions for the coming year—and it is quite probable that the modellers, along with the German authorities, will prove right analytically, or just plain lucky.

If they are proved wrong, however, it may be too late to avert disaster. As a leading Wall Street analyst has put it, the world economy is like an aircraft flying at minimum speed—aerodynamic theory shows that it can stay aloft, but, in practice, the slightest shock could send it crashing down.

Men and Matters

Fin de siecle

Little by little, film distribution in the UK is spooling itself on to a single reel of celluloid. Twentieth Century Fox is about to close its London office, leaving Walt Disney as the only US major still with its own distribution outlet in Britain.

Once they were all here. But with Hollywood making fewer, if more expensive, "blockbusters," there is less for sales staff to handle. Rank continues to beat the gong for many of the UK's native film-makers. MGM, Universal and Paramount, though, are handled by United Artists, under the umbrella of United International Pictures, while Columbia and EMI are marketed by Warner Brothers.

Fox already has an association of sorts with Disney. They share the same building in Soho Square. Whether the creators of Mickey Mouse will take over Fox's UK distribution or whether a new deal will be struck with another rival is now being decided in Hollywood.

The question is an important one. Cinema audiences in Britain are on the rise again after decades of decline, while in the US, unaccountably, the punters have started falling away. Moreover, independents are now asserting themselves again and fighting it out for important pictures with the formerly unbreakable chains. The projection of projection is once more a worthwhile game to play.

Highland fling

John Packer has plenty of nerve. Treading where no other Englishman would dare, he has produced a tartan to set beside the colours of the Gordons, McGregors and Camerons—and he is successfully selling a range of clothes in it to the Japanese.

Packer is chief executive of Reid and Taylor, a mill that nestles in the little town of Langholm, just over the Scottish border. "There, we produce quite the best worsted cloth in the world," he says. (He is not given to modest understatement.)

"But it's no use producing the best cloth—some of the suits made from our material cost over £1,000 each in Japan—unless you can market it properly. That means making a range of garments and accessories from it."

Packer's tartan—"dark tones of navy blue and bottle green, subtly overchecked in Scottish gem colours of garnet and Cairngorm" — has been approved by the august Tartan Society, which registered it as the genuine thing, fit for the heirs of Bannockburn and Burns.

You can get rigged out in it now from top to toe, hat to slippers, in London as well as Tokyo; and Packer intends shortly to try to sell his Highland look in the Netherlands and West Germany.

Space race

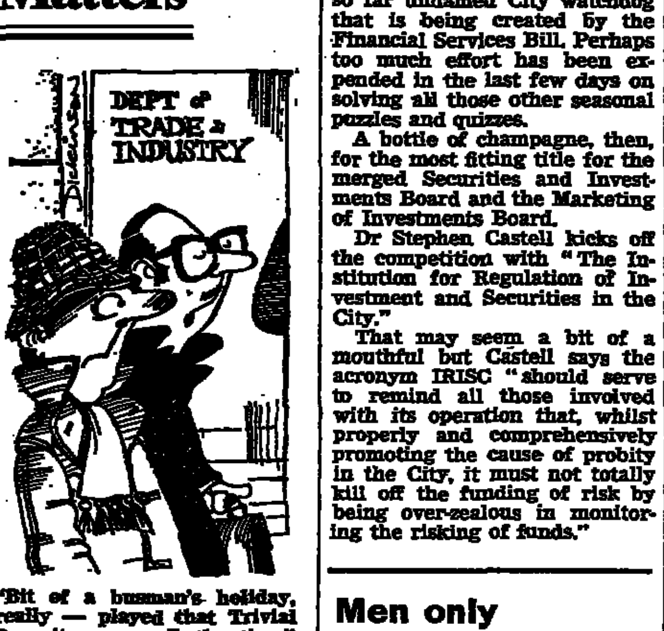
Over the next few months, we shall be hearing a lot about Sqn Ldr Nigel Wood, the quiet, self-effacing RAF test pilot who is due to become Britain's first astronaut in June.

Wood is to be injected into the cosmos on board a space shuttle, along with a military satellite that the US is kindly putting into space on Britain's behalf.

But wait. Creeping up on the blind side is the "unofficial" astronaut candidate, John Padday, a fluid-physics specialist employed in the UK research laboratories of Kodak, the US camera giant.

Padday has planned several experiments taken into orbit aboard Spacelab, a US-operated module for materials-processing operations in the heavens.

The space enthusiast has so impressed his employer that Kodak, keen to explore new



"Bit of a busman's holiday, really — played that Trivial Pursuits game all the time"

possibilities, has suggested Padday might like to take a trip into space himself to oversee one of his experiments.

Tentative discussions are taking place about when Padday might leave the Earth as a paying guest on a space shuttle. There are precedents for this. Charlie Walker, a McDonnell Douglas scientist, has already gone into orbit three times to conduct low-gravity research work for his employer.

If Kodak gets a move on, Padday, could pip Wood to the post to become the first UK spacefarer. That would not go down too well in UK Government circles. Padday, on several occasions, has criticised Britain's organisation of its space activities.

Padday's age might be a snag. He is 58, the same age as the oldest space traveller, US astronaut Karl Henize, who made his first trip a few months ago.

Watch-word

Readers seem unusually shy about suggesting a title for the so far unnamed City watchdog that is being created by the Financial Services Bill. Perhaps too much effort has been expended in the last few days on solving all those other seasonal puzzles and quizzes.

A bottle of champagne, then, for the most fitting title for the merged Securities and Investments Board and the Marketing of Investments Board.

Dr Stephen Castell kicks off the competition with "The Institution for Regulation of Investment and Securities in the City."

That may seem a bit of a mouthful but Castell says the acronym IRISC "should serve to remind all those involved with its operation that, whilst properly and comprehensively promoting the cause of probity in the City, it must not totally kill off the funding of risk by being over-zealous in monitoring the risking of funds."

Men only

Male chauvinism is alive and well—in some parts of the Diplomatic Service at least.

A colleague recently in a French-speaking West African country called at the British Embassy. Over the gin and tonic and fried plantain, he asked the ambassador how many Britons lived there. "Around 300," he replied.

"No, ambassador, it's closer to 600," an aide interjected.

"Well, if you include the women and children, I suppose that's true," Her Britannic Majesty's representative allowed.

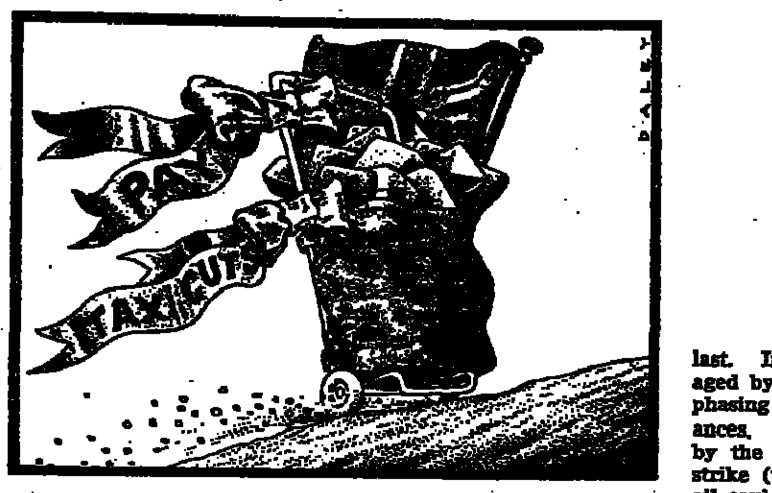
Fast and loose

One of the questions in a general knowledge test at a Sussex school was: "Complete the saying, 'Marry in haste, and . . .'" —"Repeat at leisure," wrote one 15-year-old girl.

Observer

FORECASTS 1986

A dull year—but welcome all the same



THE BRITISH ECONOMY

By Alan Budd

This will be the year of the consumer, with spending forecast to rise by more than 4 per cent

THE FORECASTING consensus (which some joined rather later than others) is that the economy will grow by 2½ per cent or more in 1986 and that inflation will fall below 4 per cent. Mr Lawson has claimed, on the basis of the Treasury's forecast (which is slightly above the consensus) that we shall be moving into the sixth successive year of growth at an average of 3 per cent a year. Others have hastened to point out that the record looks much worse if it starts in 1979 rather than 1981.

Anyone can play the numbers game but both 1979 and 1981 are misleading as starting points. A possible compromise is shown in the chart. It shows GDP since 1970 plotted against the trend growth of the 1970s (which was about 1½ per cent a year). On that basis output is still below its trend level but is moving steadily back towards it.

The important question—and we shall have to wait many years for an answer—is whether the lost output (and associated rise in unemployment) will have been a price worth paying for lower inflation and more rapid sustainable growth.

The Treasury's forecast was produced before the oil market upheaval caused by an actual or threatened change in Opec policy. After the immediate wild fluctuations, oil prices seem to have settled fairly close to their previous level and there seems no cause to change the short-term forecasts for output and inflation significantly. (The Treasury and LBS forecasts had assumed some fall in oil prices).

It is clear that the pattern of demand in 1986 will be rather different from that in 1985. In 1985 we had the type of recovery which politicians like to boast about with the main force of growth coming from investment and exports.

Private industrial investment probably rose by about 13 per cent in 1985 after a rise of over 15 per cent in the previous year. Exports rose by 7 per cent. That was too good to last. Investment was encouraged by high liquidity and the phasing out of capital allowances. Exports were boosted by the ending of the miners' strike (which meant that more oil could be sold abroad rather than used to generate electricity) and by the fall in sterling early in the year.

1986 will be the year of the consumer. Average earnings are rising by 7 per cent or more, influenced by the rise in inflation in mid-1985. But these increases will seem very generous as inflation falls to 4 per cent or lower. If, on top of that, Mr Lawson cuts taxes by £2bn in the Budget, real take home pay will rise by 4 per cent or more. With that sort of increase it is easy to understand why consumer spending is forecast to rise by above 4 per cent.

The Treasury is rather more optimistic than the LBS about investment this year. In the Autumn Statement it argued that the recovery in profits, the buoyancy of the stock market and the generally healthy state of company liquidity pointed to a further rise in business investment this year. One might add to that list the evidence from the Confederation of British Industry surveys that manufacturing industry is working fairly close to full capacity. As demand comes up against capacity limits firms will have a strong incentive to invest. Continued growth of investment this year (though less rapid than in 1984 and 1985) could be one of the pleasant surprises in store despite the rather gloomy results of the CBI Survey intentions inquiries.

Exports are unlikely to grow rapidly this year. The world economy will be moving ahead steadily rather than dramatically but our share of world trade is likely to fall. The recovery of the exchange rate during 1985 and the faster growth of wage costs have caused a sharp loss of competitiveness. We expect exports to grow by less than 3 per cent while imports, in response to the rise in consumption, rise by about 4 per cent.

The Treasury has had a good track record in forecasting inflation. Its forecast that retail price inflation will fall to 3¾ per cent by the end of the year seems fairly safe, particularly if oil prices are weak and the exchange rate is held at about its current level.

While it will be a good year for the growth of output and for inflation, it is difficult to be optimistic about unemployment. Even if the falls of recent months continue we shall still have 3m unemployed at the end of 1986, a level that would have seemed unimaginable six years ago. The Government's view is that the main cause is the level of real wages, but that is a diagnosis rather than a cure.

The problem is that there is very little incentive for either employers or employees to moderate the rate of pay increases. Employees continue to enjoy substantial increases in real earnings which are justified by increases in productivity. Employers have a co-operative work force, satisfactory profits and they are, at any rate, reluctant to take on extra workers whom they may have to sack if the recovery stalls. Such increases in employment as are occurring are concentrated in part-time work and self-employment. The persistence of high unemployment is the dark side of the otherwise welcome increases in efficiency in British industry.

Would the general picture be greatly changed if oil prices collapse? The answer will depend partly on how the Government reacts. The table shows an alternative forecast based on the assumption that the oil price falls to $20 a barrel and that the Government tries to hold the exchange rate at about its current level. We also assume that the Government foregoes any tax cuts in the next Budget because of the lost oil revenue. (There is a perfectly respectable argument which says that the PSBR can be higher if oil revenue falls, though Mr Lawson has dismissed it as being of academic interest only.) As can be seen, inflation is lower but so is the growth of output.

The question of the exchange rate raises one of the key issues of current economic policy. The Government denies that it has a target for the exchange rate and insists that its main role is as an indicator of financial policy. However, it is also clear that it intends to resist sharp falls in the exchange rate whatever their cause, even if this means keeping interest rates at the present high level. In practice, with the suspension of sterling M3, the exchange rate has moved close to the centre of attention.

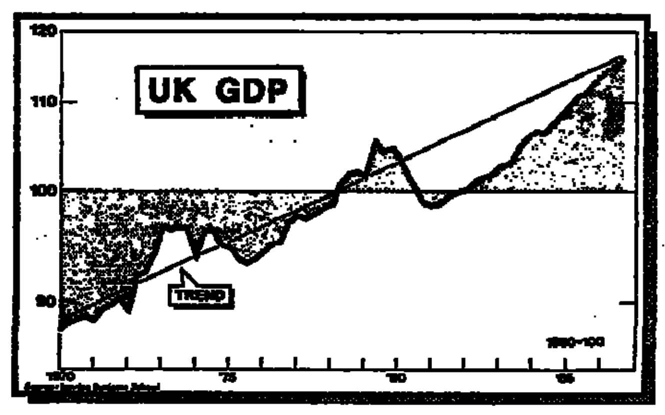
Now that the Government has broken the back of inflation, a policy of holding the rate at about its current level is consistent with its objective of bringing inflation down to 3 per cent by 1988. We currently have a rather faster rate of inflation than our main trading partners, and a stable exchange rate should help bring us into line with them. There is very little risk of a resurgence of inflation in the rest of the world; but if there were we should allow our exchange rate to appreciate. At the moment this policy is requiring high real interest rates; there could be some fall in the course of the year but much will depend on how interest rates move elsewhere. (My own view is that we could have lower interest rates as a full member of the European Monetary System; but that is another story.)

Another key question of policy concerns the role of monetary indicators. Sterling M3 is in disgrace for reasons that are fairly easy to understand given the increased competition for retail deposits but I cannot share the current faith in MO. No doubt the growth of notes and coins is a good guide to the current state of nominal expenditure. No doubt it is also true that if the Government can effectively control MO it will be able to control inflation in the future. The problem is that unless it has some advance indicator of inflationary pressure, the level of interest rates required at the time may be horrendously high. If sterling M3 cannot be reinstated as a longer-term indicator it is to be hoped that the Government will find an effective substitute.

Even if Mr Lawson's claims may prove to be slightly over-optimistic it does look as if we shall have another year of steady growth and low inflation and there is no reason to believe that 1987 will be particularly different. The same will probably be true of the world economy. This may all seem rather dull but it is a dullness that is to be welcomed. We had a similarly dull period in the 1960s. The swings of the 1970s were the response to policy shocks and to Opec's opportunity to exploit its market power. Opec is unlikely to regain that power for another 10 years, if then.

If governments can avoid violent policy changes we could see sustained growth and low inflation. The growth may not be as good as the 1960s but it could be a lot better than the 1970s.

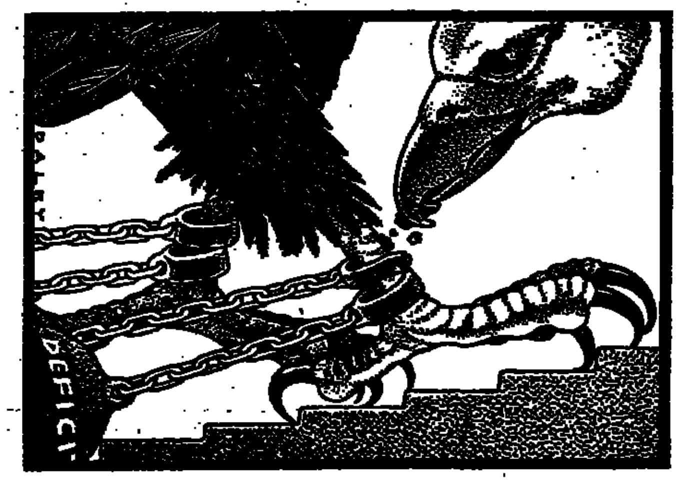
Alan Budd is Professor of Economics and Director of the Centre for Economic Forecasting at the London Business School.



ECONOMIC PROSPECTS FOR 1986

	1985	1986 Oil $26 per barrel	1986 Oil $20 per barrel
	%	%	%
Gross Domestic Product (average estimate)	3½	2½	2
Consumers' expenditure	2½	4	4
Retail price inflation (fourth quarter)	5½	4	3
Unemployment (excluding school leavers)	3.2m	3.1m	3.2m

Why Gramm-Rudman will force a budget compromise



THE US ECONOMY

By Martin Feldstein

AS THE US recovery completes its third year, there are signs that the expansion will continue with only modest inflation for at least another year. Even more important, the recent enactment of the Gramm-Rudman amendment is likely to induce the President and Congress to agree on substantial reductions in future budget deficits.

Although three years has been the average length of postwar US business cycle expansions, the current upturn shows none of the traditional indications that a new recession is about to begin. There has been no overinvestment in plant and equipment, the inflation rate remains low, there are no strains in labour markets or on capacity utilization, and inventory-sales ratios are substantially below past norms.

After real GNP growth of only about 2½ per cent in 1985, the economy is now likely to speed up slightly to real growth in the 3 to 4 per cent range. Spending by both businesses and individuals will be stimulated by the sharp decline in interest rates during the past 12 months and the concurrent rise in the stock market. The collapse of the OPEC cartel and the resulting decline in oil prices will be a direct stimulus to increased GNP growth and to lower inflation. The favourable impact on inflation is also likely to reassure the Federal Reserve that there is adequate room to pursue a policy of relative monetary ease.

But the most important reason for increased expansion in 1986 is that the dollar has come down dramatically during the past 10 months. By comparison with the German mark, the dollar is 25 per cent below its peak last year and 12 per cent below the average 1984 value. The dollar has also declined more than 15 per cent since 1984 against the Yen. As a result of the dollar's turnaround, the US merchandise trade deficit is likely to peak in 1986 and to decline modestly by the end of the year.

Even a flattening of the trade deficit would be a major net plus for US economic growth. Between the first three quarters of 1984 and the corresponding quarters of 1985, US real net exports of goods and services declined by more than one per cent of GNP. This converted a 3.6 per cent rise in domestic demand into a much more anaemic 2.6 per cent rise in GNP. Just replacing the decline in net exports with an unchanged trade deficit would therefore add an extra one per cent to real GNP growth during the coming year.

There are, of course, significant risks to this favourable economic outlook. The decline in the budget deficit from 5.5 per cent of GNP in 1985 to 5 per cent of GNP or less in 1986 will reduce demand. The uncertainties created by the possibility of massive tax legislation may dampen business investment and housing construction. The special problems of the agricultural sector, the depressed conditions in the oil industry, and the vast oversupply of office space could develop into more general trouble for the economy.

But no one ever said that it would be easy to unwind the double digit inflation of the late 1970s or the mammoth deficits of the first half of the current decade. Getting an unbalanced economy back on track involves serious risks—facing them now is the price that we pay for waiting so long to deal with the problem. But despite the risks. The most likely outcome for the year ahead will be continued economic expansion with only a modest increase in inflation.

The Deficit Prognosis.

Looking beyond 1986, the long-term health of the American economy depends critically on our ability to shrink the budget deficits that are now absorbing more than half of the net saving in the United States and that have caused the national debt to double since the beginning of the decade.

The favourable budget actions of the Congress last summer were *more substantial* than most observers appear to recognise. The congressional budget resolution calls for spending changes that, if fully enacted, will reduce the budget deficit by amounts that increase from $35bn for the fiscal year ending in October 1986 to $100bn (or 2 per cent of GNP) for the fiscal year ending in October 1988. Although there will no doubt be some slippage from these goals, the decisions taken last summer will keep the deficit share of GNP declining in the years ahead.

I believe that the Gramm-Rudman amendement will have a powerful and favourable effect on the path of future deficits. There are, of course, many sceptics who think that Gramm-Rudman is just another evasion of responsibility and that it is constructed in a way that cannot possibly work. I believe they are wrong because they take too narrow and mechanistic an interpretation of the legislation.

Gramm-Rudman will succeed not as a mechanical way of cutting specific spending programmes but because it will force the political actors to reach a compromise that can significantly reduce future budget deficits. Gramm-Rudman will force a budget compromise that would not otherwise be reached because the alternative to compromise is so unpallatable to both the President and the Congressional liberals. To understand why, it is important to look at the way the way the Gramm-Rudman procedure will work.

The legislation provides that, when the 1987 fiscal year begins next October, the projected budget deficit must be down to $144bn or about 3.5 per cent of GNP. Budget experts now estimate that reaching that deficit level will require cutting the 1987 deficit by $50bn—subsequent year deficits must then decline in $36bn steps until budget balance is reached in 1991.

Congress *is*, of course, free to achieve these deficit targets in any way in which they and the President can agree. This can include tax increases and changes in any of the so-called entitlement programmes as well as reductions in discretionary spending for defence and non-defence activities.

The unique feature of Gramm-Rudman is it provides precisely for what will happen if Congress and the President are unable to agree to a budget with a deficit that is within the specified target. If the target is not met when the fiscal year begins, the legislation provides for automaitc reductions in spending (or "seqestering" to use the *technical* language of the legislation) on a wide range of specific programmes.

Social security retirement benefits and seven other programmes that provide benefits to the poor (food stamps, aid to families with dependent children; supplemental security income, etc) are specifically excluded from these automatic spending cuts. Also excluded are outlays to which the Government is committed by existing contracts.

All other indexed programmes (including civilian and military pensions) would have their cost-of-living adjustments reduced or eliminated. Outlays on health care programmes would be reduced by up to two per cent a year. Finally, a percentage across-the-board reduction would be made in all remaining defence outlays and a separate across-the-board percentage cut would be made in all non-defence outlays with the two percentages calculated to make the sequestering of defence outlays equal to half of the total sequestered funds.

The sceptics complain that so much of the budget is protected from the across-the-board cuts that it is impossible to achieve budget balance by the prescribed mechanism. They correctly point out that only about 30 per cent of the total budget is subject to such cuts—an amount equal to about 7 per cent of GNP. Even with the allowable reductions in annual cost-of-living adjustments and the annual two per cent cuts in health outlays, it is virtually impossible to eliminate a deficit of 3 to 4 per cent of GNP by making the prescribed across-the-board cuts.

While this is true, it misses the basic point of the Gramm-Rudman plan: to make the automatic cuts so unpalatable that the President and Congress will want to reach a compromise that avoids the automatic cuts. The key to this is the requirement that half of the automatic cuts come from defence and the other half from domestic programmes.

Consider what this would mean for the 1987 budget. If no agreement is reached before next autumn, the automatic sequestering will reduce defence outlays by about $25bn and non-defence outlays by an equal amount. A $25bn cut in defence outlays is approximately an 8 per cent reduction.

Thus instead of the currently projected 3 per cent real increase in defence spending, real defence outlays would fall by 5 per cent. There is simply no chance that President Reagan would allow such a drastic cut to occur. Similarly, the liberal democratic leadership of the House of Representatives would not want to see equally large percentage reductions in a wide range of domestic programmes— including educational subsidies, mass transit grants, aid to state and local governments, etc.

The threat of such unattractive spending cuts will make the President and Congress work hard in the coming months to find a compromise that will achieve the $144bn deficit target without such drastic cuts in defence and non-defence programmes. The 1987 financial year budget cycle will begin in February when the President sends his budget to Congress. It will focus on non-defence spending cuts and will be immediately rejected by a majority of the Congress. But then the President and Congress can get down to bargaining in earnest about a package that will meet the $144bn goal.

In the end, the budget for 1987 will include more cuts in defence than the President will like and more cuts in social spending than the Congressional Democrats will like. It will almost certainly include an increase in tax revenue, perhaps through a tax on oil or an increased tax on gasoline.

The President will complain that the final budget package is infereior to the one that he proposed at the start of the year and that he objects to raising taxes. But he will rationalise that accepting the budget compromise is preferrable to jeopardising national security through drastic across-the-board cuts in defence.

Similarly, the Democratic congressional leadership will complain about the size of the cuts in social spending programmes and perhaps about the form of the tax increase. But they will accept such a compromise because they know that their constituents are eager for progress on the deficit and because they can rationalise that many of the groups they care about will fare better with the enacted cuts than they would have if the Gramm-Rudman across-the-board reductions had been made.

A budget success in 1986 would be only the first step toward eventually bringing the budget back into balance. But it would be an important step in itself and would increase confidence that the new budget process can achieve the gradual and predictable reductions in the deficit that are so necessary for the long-term health of the American economy.

The author is professor of economics at Harvard.

FINANCIAL TIMES
Thursday January 2 1986

Bridget Bloom and Lionel Barber examine the escalating battle over a UK defence contractor

Philosophies shape Westland tussle

THE BATTLE over the future of Westland, the British helicopter maker, which a few weeks ago was still principally a financial crisis at a small West of England defence contractor, is rapidly assuming the proportions not only of a personal clash between senior ministers but of conflict between rival industrial and political philosophies.

The differences centre on two key issues: relations between the US and Europe in defence procurement policy; and the feasibility and/or desirability of Britain's operating a "buy European" procurement policy.

Specifically at issue between the two ministers is the degree to which the collaborative production of defence equipment within Europe should be an overriding aim of British policy. Mr Heseltine argues that it should be, principally because without such collaboration, Europe's defence industries are already – or soon will be – too weak to withstand US competition. Such collaboration has a political as well as an industrial and defence aim, Mr Heseltine argues, for a Europe that produces its defence equipment more efficiently will be a stronger and more useful member of the Nato alliance.

Mr Heseltine favours a European solution for Westland against that background. He appears to believe that the deal with Sikorsky, the subsidiary of the US conglomerate United Technologies, would end in the US company's financial control of Westland as well as in the British company's loss of technological expertise and design capability.

In the trade-offs inevitable in such a deal, its opponents argue, Westland is the weaker partner, and while it would, for example, make the airframes for the Sikorsky Black Hawk, neither it nor the rest of British industry could expect to supply the more sophisticated avionics, navigation or even weapons systems, contracts for which would go to the US.

Defence Ministry officials argue that the proposed European solution for Westland would enable the whole European helicopter industry to gain strength – with which it could then, if it wished, negotiate deals on future production with the US on a Nato-wide basis.

It is argued that the European proposals, by harmonising the helicopter requirements for four nations, would provide for Europe the long production runs already achieved by the US. It is said that the political agreements backing the proposals – which would limit the four countries to buying only helicopters designed and built in Europe – would guarantee orders of at least 500-600 helicopters, far more than could be achieved under the Sikorsky deal.

Supporters of that "buy European policy" deny that it conflicts with the policy of competition that Mr Heseltine has also espoused in his three years as Defence Secretary.

They answer that it is unrealistic to expect Europe to open its markets freely to US competition but maintain that much work on the new helicopters would be put out to competition at sub-contractor level, as had been done with the tri-national Tornado aircraft.

Mr Brittan: 'absurd to discriminate'

As evidence of the "rightness" of Mr Heseltine's case, much is made by his supporters of last summer's agreement between four European nations to build a new European fighter aircraft for the 1990s.

They cite the extreme interest shown in the new Eurofighter recently by the Pentagon, which has offered its co-operation on the project. Such co-operation, they argue, can now be negotiated from a position of strength.

Mr Leon Brittan, Trade and Industry Secretary, while denying that he personally favours either solution, is sceptical about the industrial logic behind the European offer. He argues that it is in essence protectionist and anti-American, and runs contrary to government policy of introducing more competition in defence contracting.

The Trade and Industry Department (DTI) is also wary of any attempt to polarise industrial policy by suggesting that Britain must choose between the US or Europe on collaborative projects. It is argued, for example, that Rolls-Royce has successfully formed joint ventures with a variety of international partners.

Mr Brittan also argues that to discriminate against Westland because it has a minority American shareholder is absurd since many US-owned or partly-owned companies based in Britain are involved in European defence collaboration. For example, Westland's own technologies subsidiary, Normalair-Garrett, jointly controlled by the US Garrett Corporation, was allowed to supply parts for the Tornado.

Mr Brittan therefore believes the MoD should resist the threat made by the Europeans to exclude Westland from future joint collaboration on helicopter projects. He views any attempt to "blackball" Westland because of its proposed link-up with Sikorsky as unjustified and possibly dangerous.

Mr Brittan is apparently concerned that any such blackballing of Westland might be interpreted by the US as a hostile act inviting retaliation. The British Government is already under pressure from the US Government over its participation in Airbus Industrie, the joint European aircraft consortium. The US has told the DTI that Airbus is unfairly subsidised by European governments and has raised the threat of action under the General Agreement on Tariffs and Trade

On more practical points, the DTI is sceptical about the merit of the European offer since much of the work-sharing and export arrangements for future joint projects – such as the NH90 helicopter – have still to be worked out by the various industrial partners in Europe.

By contrast, Mr Brittan believes the Sikorsky/Fiat proposal offers a much-needed strong partnership for Westland, which is considered too small to survive on its own. Equally, the licence to develop, manufacture and sell the Black Hawk medium-weight helicopter is seen as giving the Sikorsky/Fiat offer a decisive advantage.

Sikorsky is expected to revise and improve its offer for Westland. Members of senior management have been arriving in London over the New Year holiday as preparations continue.

Plessey turns to US courts in battle to thwart GEC bid

BY CHARLES BATCHELOR IN LONDON

THE TAKEOVER battle between the rival UK electronics giants, General Electric Company and Plessey, took a surprising turn late on New Year's Eve when Plessey announced it had enlisted the US courts in its fight against GEC's unwelcome £1.18bn ($1.7bn) bid.

Plessey's complaint centres on whether GEC has made a tender offer under US law to the holders of Plessey dollar shares, and whether it has made proper disclosure of material facts to those shareholders.

Plessey denied that its recourse to the US legal system was intended to frustrate the GEC bid, saying it was only intended to protect the interests of its American shareholders.

But if GEC is forced to fight its case through the US courts, it will have to divert some of its attention from the main thrust of its takeover campaign in Britain.

This development highlights the growing problem that UK companies face in drawing up documents relating to bids and new issues. The internationalisation of share trading is forcing them to take greater account of the detailed regulations governing other stock markets, particularly those in the US.

GEC warned that Plessey's US legal challenge might jeopardise the entire bid and harm the vast majority of Plessey shareholders in the interests of a small minority. Plessey's US dollar shares account for 1.6 per cent of its total equity.

GEC said that it had "deliberately and carefully" not made an offer for the dollar shares.

Plessey announced that it had lodged a complaint with the Delaware district court on Monday alleging that, while GEC denied having made an offer to the holders of Plessey's dollar shares, in effect its offer had been given publicity in the US.

GEC has until January 8 to file its evidence ahead of a hearing set for January 10.

Since the bid had been known to Plessey's American shareholders, GEC should be required to make available all the detailed information required by the US Exchange Act, Plessey argued. That would allow the US shareholders to take an informed decision on whether to accept or reject the GEC offer.

Mr Warren Sinsheimer, Plessey's American deputy chief executive, said: "We are not doing this to frustrate the bid. We want our US shareholders to get the information they are entitled to under US law."

Plessey is also claiming that the GEC offer to US shareholders is unlawful since the GEC shares convertible loan stock being offered for Plessey's shares are not registered in the US under the country's Securities Act.

Plessey's argument hinges on a lengthy paragraph in an appendix to GEC's 32-page offer document. This warns non-UK shareholders that they must take account of local legislation in deciding their response to the bid.

"In particular the offer is not being made directly or indirectly in the USA," the GEC offer said. The offer is, however, open to shareholders who convert Plessey dollar shares into the more common 25p British registered share.

Plessey is unusual among UK companies in having dollar shares with a listing on the New York Stock Exchange. They arose from the acquisition for $140m in 1970 of Alloys Unlimited, a manufacturer of semiconductor materials.

Problems loom over rescue package for Pan-Electric

BY CHRIS SHERWELL IN SINGAPORE

A RESCUE PLAN for Pan-Electric Industries, the debt-ridden Singapore marine salvage and property company, became technically void yesterday because a key condition remained unfulfilled at midnight on December 31.

Although the company's 37 bank creditors still hope the immediate hurdle can be cleared, another equally serious difficulty has arisen which might also seal the company's fate.

That is a demand for a S$8m ($3.79m) injection of cash from Mr Tan Koon Swan, the Malaysian entrepreneur, by January 7. The demand was made this week by Price Waterhouse, Pan-Electric's court-appointed receivers and managers, under the terms of the same rescue plan.

The plan was finally agreed on December 11 between the banks, the receivers, and Mr Tan, who indirectly holds 22.6 per cent of Pan-Electric. It followed the unprecedented suspension of the Singapore and Malaysian stock exchanges for three days, when Pan-Electric's troubles threatened to prompt a chain of stockbroker defaults.

Under the plan, Mr Tan was to take on personally, by December 31, Pan-Electric's controversial commitment to purchase S$140m worth of shares, mainly in his companies. Mr Tan was also to inject up to S$40m working capital into Pan-Electric, S$20m of which he had already committed.

In return, the banks agreed to suspend interest and principal repayments on Pan-Electric's debts, estimated to total S$400m, for three months. Meanwhile, a full financial restructuring would be worked out.

The agreement was rendered technically void on New Year's Eve by the refusal of London stockbrokers James Capel to go along with the arrangement to switch Pan-Electric's share purchase commitment to Mr Tan. James Capel is insisting on prior payment by a Malaysian broking firm which has refused to take delivery of shares under another contract.

Despite those developments, Mr Tan apparently does not intend to withdraw from the pact, and the banks are now expected to pursue a second-best option, rather than press for Pan-Electric's liquidation. Under the alternative, Mr Tan might be asked to indemnify the banks over the James Capel-related contract so that they can proceed with the restructuring effort.

The demand for a S$8m injection into Pan-Electric by next week is another matter, however. Mr Tan is reckoned to be financially extended, and some bankers wonder whether he can respond in time.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	10	50	Dubrovnik	F	11	52	Malaga	F	16	61	Salzburg	Sn	-3	27
[illegible]	F	18	61	Faro	C	16	61	Malta	T	10	50	Seoul	S	-7	19
Algiers	F	16	61	Florence	R	6	43	Manila	S	32	91	Singapore	F	30	86
Amsterdam	C	-2	28	Frankfurt	C	-6	21	Miami	C	23	74	Stockholm	S	-15	5
Athens	C	15	59	Funchal	F	19	66	Milan	D	3	37	Strasbourg	C	-3	27
Bahrain	S	17	63	Geneva	C	-1	30	Moscow	S	-6	21	Sydney	S	24	75
Bangkok	S	32	90	Gibraltar	C	17	63	Munich	Sn	-3	27	Taipei	S	11	52
Barcelona	F	12	54	Guernsey	R	6	43	Nairobi	-	-	-	Tangier	C	17	63

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Nigeria puts ceiling on debt repayments

Continued from Page 1

banks and governments, it implies that the naira is to continue to float down to a more "realistic" level and vague reference is made to creating a "second tier foreign exchange market" which might involve the free sale of limited amounts of hard currency through the commercial banks (no details are given).

Little is done to liberalise imports, however, another key IMF demand.

Petroleum price rises and a new 30 per cent levy on all imports are likely to give inflation a major boost.

Lawson optimistic on UK economic recovery

Continued from Page 1

rent account has remained in substantial surplus for six years running. Exports have grown particularly fast over the past two years and are unlikely to grow as fast this year, but a substantial current account surplus is still in prospect – the latest forecast puts it at £4bn.

As for 1987, what will sustain growth is sound money and free enterprise – a fiscal and monetary framework which will continue to reduce inflation and leave room for the private sector to expand. I would turn the question round and ask: "What will *stop* the economy from growing?" Before 1981, some said the recovery could not happen. Since 1981, they have regularly said it cannot last. It has lasted.

What prospect do you see for a significant fall in the real level of short-term interest rates this year?

I don't know. I would hope to see nominal rates come down somewhat as inflation comes down. Whether they will fall enough to bring about a reduction in *real* rates depends on a number of factors, external as well as domestic. Externally, progress in reducing the US budget deficit will be crucial. At home, earnings will be important: the faster they go up, the higher interest rates have to be to keep monetary conditions tight enough to stop excessive pay rises from feeding through into prices. One thing I will not do – as I think is now widely recognised – is reduce interest rates prematurely and thus put at risk our achievements and prospects on inflation.

Despite rising employment Britain's jobless rate is still among the highest in Europe. Can you see a sizable fall, perhaps to well below three million, over the next two years?

No Government ever forecasts unemployment, as you know, but the signs are more encouraging than they have been. The numbers in work have been rising strongly – over 600,000 more people have jobs than a couple of years ago. That is a better performance than in the rest of the European Community put together. The numbers of new people *looking* for work should rise less fast in the future than in the immediate past. Unemployment seems at long last to have stopped rising. And this is *before* we have seen much of the benefit of the changes in my last budget. What happens next will depend partly on what happens to pay. The larger the average size of pay increases employers agree to, the more people will cost to employ, and the fewer of them will find jobs.

You have sought to lower expectations about the size of possible tax cuts in the wake of falling oil prices. Could it be that this year's tax cuts will come in the form of lower petrol and fuel prices?

Certainly, if the sterling price of oil falls, the consumer and industry both gain and the Exchequer loses. A fall in the oil price and a cut in taxes have that in common.

With the public sector borrowing requirement now down to a relatively small proportion of GDP and oil revenues falling do you see the possibility of a slightly more flexible approach to fiscal policy – particularly in relation to the public sector financial deficit?

You are right that the PSBR is now a lower proportion of national income than for 14 years – lower even than in 1981-82, when Geoffrey Howe with great courage introduced a tougher budget than anyone expected. This is true even if you add to the PSBR the proceeds of privatisation. And it is true even though, as you say, oil revenues are somewhat lower than expected. As for the future, you will have to wait for the budget – but you can be sure that prudence will continue to be my watchword.

The form of parts of the privatisation programme has been criticised even by supporters of your overall philosophy. How do you answer critics who say that in the case of British Gas, for example, you are simply turning a public monopoly into a private one?

Privatisation has been one of our greatest successes. It has given people a real stake in the future of some of our major businesses. It has increased efficiency, improved the service to consumers and freed the industries concerned from political and bureaucratic interference. I believe the Labour Party's hostility to this will prove as big a mistake as their disdain for letting people buy their own council houses.

So far as gas is concerned, the transmission system is a natural monopoly. But gas already has to compete with other fuels, like oil and electricity. When gas is privatised, it will have to compete for funds on the capital markets. And there will of course be a regulatory framework designed to improve efficiency and protect the consumer from exploitation.

Do you anticipate that the expected fall in the inflation rate this year will be translated into lower pay settlements?

I very much hope that average pay settlements will come down. This is the single most important factor in getting unemployment down. The right settlement in any particular case depends on a variety of factors other than the inflation rate; but the marked fall I expect in inflation means that most wage-earners could accept a much smaller pay rise than last year and still see a significant increase in their *real* earnings.

Over the medium term on what do you base your confidence that manufacturing industry will revive as oil output declines?

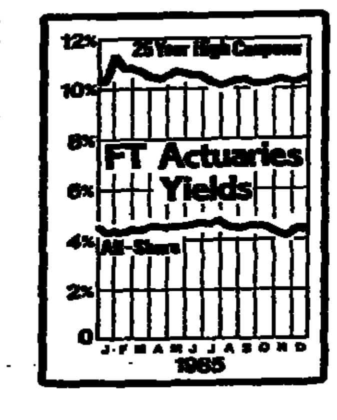
First, manufacturing industry *has been* reviving for the past four years. Manufacturing output has risen 12 per cent since early 1981, and manufacturing exports last year were by a comfortable margin the highest ever. Second, the rundown of oil production will be much more gradual than was the build-up. We are less than half way through the period of self-sufficiency in oil, and it will be making a significant contribution to our balance of payments well into the next century. Third, the economy is becoming more flexible – better able to adjust to structural changes of this sort.

We have been freeing markets and removing distortions for six years now. It is a long and gradual process, but it is one of the most important things we have done – returning trade unions to their members, getting rid of unnecessary bureaucratic controls and so on. That is what will make the economy stronger – in manufacturing and services alike.

THE LEX COLUMN

Crossed fingers in the City

Bull markets do not last for ever and it is always possible that equity prices will be travelling in the same direction as commission rates throughout 1986. But it is not just the student of the form-book who will be betting against a sharp drop in the equity market. With the UK set to enjoy another year of low inflation and respectable growth, the rise in earnings and dividends should be sufficient to validate the market's present rating.



No one doubts that the UK will once again show an increase in real output, the only question being whether growth will be nearer 2 per cent or 4 per cent. With an election looming in 1987, the Government can be counted upon to deliver tax cuts, perhaps of around £2bn, in the March budget. A policy of fiscal stimulus could admittedly be constrained by a further fall in the sterling price of oil, although the scope for public-sector asset sales is much greater this year than in 1985. So if BP fails to provide its anticipated tax revenue, the Treasury can sell BP shares instead.

Monetary caution

In order to reconcile this fiscal reflation with a year-end inflation target of under 4 per cent, the Chancellor of the Exchequer will be compelled to maintain a cautious monetary line. While a modest reduction in base rates may be on the cards early in the year, the defence of sterling is likely to remain a central policy objective so long as rises in unit labour costs are threatening the inflation target. Real short-term interest rates may therefore remain high in order to contain the growth of sterling raw material costs.

This time last year, as sterling nudged towards parity with the dollar, it was anyone's guess how the pound would perform. Twelve months later, there is a broad consensus that sterling should show further appreciation against the dollar – oil prices permitting – and a modest decline against the yen and the EMS currencies, for all of which ICI would be truly thankful.

On the assumption that the OECD countries achieve some recovery in growth during 1986, with the US and Japan leading the pack, the UK corporate sector should report a real increase in export and overseas earnings. But, to judge from the premium rating which the equity market still attaches to stores and food retailers, it is the growth in domestic consumer spending which should again provide the biggest boost to corporate profits during 1986.

The market appears to be discounting pre-tax profits growth of around 12 per cent from the FT Industrial Group during 1986. That would represent a modest acceleration over last year, when profits growth may only just have crept into double figures, and a marginal fall in tax rates should ensure that the improvement is greater still at the distributable level. The financial sector, led by the composite insurance majors, could produce earnings growth of up to a third, with the oil companies again lagging the rest of the market.

Corporate cash flow should be strong enough to permit a rise in dividends at least in line with earnings, leaving the London equity market on a prospective yield of just under 5 per cent and a multiple of around 11 times likely 1986 earnings. Last year the market kicked off on a comparable rating and achieved capital growth of 16 per cent. In 1986 that may be too much to ask for. Of the supporting factors that helped to propel equity prices higher last year – an extraordinary level of takeover activity, modest government sales of assets and feeble competition from gilt-edged – none looks exactly dependable this time round.

Even if takeover activity were to continue at the level seen in 1985, it would be unlikely to provide a comparable boost to equity prices. While this time last year the market would have been shocked to learn that half a dozen UK companies valued at a billion pounds or more were vulnerable to a hostile takeover, it would by now take a bid for Unilever to create a real surprise. The obvious bid candidates already reflect a significant premium in their share prices and the argument that size is no defence has been fully digested.

The OFT's referral of Elders' offer for Allied-Lyons may also have turned the tide against leveraged deals. It would not be surprising to see a higher paper element in takeovers this year, releasing less cash to the market, and an extension of the trend towards agreed mergers in which no material bid premium is offered.

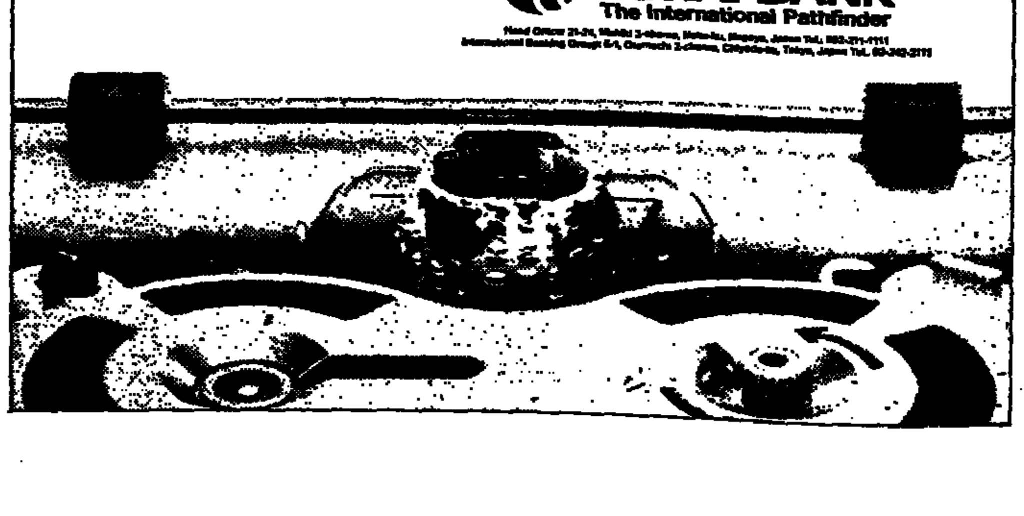
The equity market will in any event be faced with a much higher level of asset sales. In his Autumn statement, the Chancellor announced that he would be seeking £4¾bn from privatisation programmes in 1986-87 and, if the PSBR is to be held down to the forecast figure of £7¼bn, asset sales may need to be higher still. With the private sector also making demands on the market – Wellcome heads the list – institutions may need to allocate a higher proportion of new cash flow to equities.

Gilt sales

The gilt-edged market, by contrast, should not be heavily tapped. The Government's shift towards equity finance, designed to create the illusion of a low PSBR, and the abandonment of over-funding as an instrument of monetary control should mean that the UK non-bank private sector will be required to purchase only around £8bn of gilts in the next financial year, broadly the same picture as in 1985-86.

Gilt-edged are hardly looking expensive in relation to equities – the yield gap is now greater than the anticipated level of inflation this year even after tax – and there must be some prospect of single-digit yields by the summer.

By the autumn, however, both fixed-interest and equity markets could be under pressure. The Federal Reserve should by then have seen its loose credit policies reflected in higher GNP growth, while the UK markets will be turning their attention to the electoral outlook. Rising dollar interest rates and the prospect of a Conservative defeat at the polls would ensure that on October 27 the markets went off with a very big bang indeed.



SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday January 2 1986

Setback for German Co-op share flotation

BY JOHN DAVIES IN FRANKFURT

PLANS FOR an early stock market launch of shares in West Germany's Co-op supermarket chain have suffered a setback, although a bourse listing is still envisaged within about two years.

In an unexpected move, DG Bank, the co-operative bank, dropped its plan to buy a 39 per cent stake from a trade union owned body for resale as quickly as possible to investors.

As a result, West German and Swiss co-operative organisations have taken over this stake for a reported DM 200m ($80m).

The Co-op, which has about 2,000 shops and sales revenue of about DM 10bn a year, is one of the biggest chains of food stores in West Germany. It has recently embarked on diversification moves, buying a stake in a chain of shoe and sports goods shops and taking over a group of building material shops.

The trade union movement stepped in to support the co-operative organisation 11 years ago, when it had serious financial troubles.

The Co-op has been much more successful in the last few years. It made net profit of DM 40m in 1984.

But relations with the trade unions have sometimes been strained, partly because of the Co-op's attempts to adopt a tougher commercial outlook in the highly competitive retail business.

Steps towards a stock market launch have been queried by some Co-op shareholders, fearing that co-operative ideals might be undermined.

Beatrice profits down sharply

BY OUR FINANCIAL STAFF

NET PROFITS at Beatrice Companies, the US food and consumer products group that is being acquired by Kohlberg, Kravis Roberts for $6.2bn, fell sharply in the third quarter of 1985-86, despite a strong performance by the domestic food business.

The Chicago-based concern reported net earnings in the three months ended November 30 of $88m or 79 cents a share, against $127m or $1.34 a year earlier.

For the first nine months, profits fell from $300m or $3.16 a share to $216m or $2.04. Sales slipped from $8.69bn to $8.65bn, with $3.02bn ($3.46bn) in the latest quarter.

Although operating income rose 7 per cent in the latest quarter, the fall at the net level reflected a decline in business realignment income – profits from sales of businesses less restructuring expenses – which had boosted profits a year earlier. Per-share performance for the quarter was affected in part by an increase in shares outstanding.

Beatrice's US food business boosted operating profit by 31 per cent to $158m in the third quarter, while sales were steady at $1.9bn.

Nine-month profits rose 50 per cent to $410m on sales up 19 per cent to $5.4bn.

The profit surge, the company said, reflected strong performances by meats, fruit juices, bottled water and dairy products, coupled with cost reductions and favourable raw material costs.

International food earnings, meanwhile, were affected in the third quarter by a competitive environment worldwide, high material costs, and unfavourable exchange rates in certain currencies. Profits fell from $31m to $28m.

Chase ends its presence in Jordan

By Tony Walker in Amman

CHASE MANHATTAN Bank of the US has effectively pulled out of Jordan by failing to agree to central bank requirements to increase its capital base in the country. At the expiry on Tuesday of a government deadline, Chase had not responded to new conditions imposed on the operations of foreign banks.

Mr Maher Shukri, a deputy governor of the central bank, said Chase had decided to end its presence in Jordan. It maintained one branch in Amman, the Jordanian capital. Foreign banks were asked to increase their authorised capital to 5m dinars ($13.5m) from 3m dinars.

Seven other foreign banks and one local bank agreed to the requirements. These banks include Grindlays, which has 12 branches and one sub-branch in Jordan.

Year-end writedowns by three big US groups

BY OUR FINANCIAL STAFF

THREE BIG US companies have announced substantial year-end writedowns in asset values to reflect depressed conditions in industries ranging from cement to aluminium and oilfield services.

Ideal Basic Industries, one of the largest US producers of cement and potash, will take a writedown of about $200m as of December 31 in connection with its Cris Dobbins cement plant in Alabama.

The company, which had a net loss of $11.8m in 1984, gave no estimate of how the charge would affect 1985 figures, but said that after the writedown its balance sheet would reflect negative stockholders' equity.

Mr Michael Nelligan, chairman, said it had become clear that the recoverable value of the plant, which began operations in 1981, was substantially below net book value, due in part to cost overruns and interest costs.

Kaiser Aluminum & Chemical, the US aluminium producer which has been fighting a $880m takeover offer, is writing down the value of its Baton Rouge, Louisiana, alumina refinery and several smaller assets, reducing net worth by about $180m.

The company said the Baton Rouge writedown reflected "our recognition of the continued world oversupply of alumina for the foreseeable future and that plant's high cost." The move would improve financial results in 1986 and beyond.

However, Kaiser is also changing its accounting for about 60 per cent of its stocks to first-in, first-out, (Fifo), from last-in, first-out, (Lifo), increasing the carrying value of the stocks by about $165m and net worth by $120m. Results over the past 10 years will be restated, with a $15m charge required for 1985.

The company explained that in periods of low inflation and stock reduction like the present, the Fifo method resulted in a better matching of costs and revenues and placed a more realistic value on stocks.

For the first nine months of 1985, Kaiser reported a loss from continuing operations of $43.6m, compared to a profit of $40.9m a year earlier.

Dallas-based Lone Star Steel said it would take a charge against fourth-quarter earnings of $164m, equal to $80m after tax. The charge mainly reflects the current depressed oilfield services market, and will also provide for the potential idling of certain assets.

Lone Star had earlier reported a loss of $22.5m for the first nine months of 1985, against a deficit of $7m a year earlier.

Halliburton, the oilfield services and industrial engineering group, is to take an additional $40m charge in the fourth quarter as a result of settlement of litigation related to the company's South Texas nuclear power station contract.

Global Marine plans unit sale

GLOBAL MARINE, the debt-laden US offshore drilling contractor, is soliciting cash offers for its oil and gas subsidiary, Challenger Minerals, Reuter reports from Houston.

The company said the offers were being sought in connection with its discussions with collateralised creditors regarding an overall debt restructuring. Any sale of Challenger would be completed only as part of that and it is expected that most of the proceeds from the sale would be applied to outstanding collateralised debt.

Global Marine said it remained "hopeful that a debt restructure agreement will be reached with our collateralised creditors, but we remain unable to predict whether or when this will be accomplished."

In July 1985, Global suspended principal and interest payments on more than $1bn in long-term debt.

Union Carbide in assets sale deal

BY OUR FINANCIAL STAFF

UNION CARBIDE, the US chemicals group which is battling to defeat a $5.1bn takeover bid from GAF, has continued its asset sales programme by agreeing to sell property for $170m and most of its worldwide chromium, tungsten and vanadium businesses for $83m.

Carbide is selling buildings and 275 acres of land in Westchester County, in New York state, to Keren Limited Partnership.

Along with the sale of Carbide's polymers businesses for $210m and its films packaging segment for $230m, the two latest deals will raise a total of about $693m, exceeding the original goal of $500m when Carbide's restructuring programme was announced in August.

The company also announced this week that it retrieved $509m in surplus pension fund assets, which will be used for general corporate purposes.

The chromium interests, located in South Africa, are being purchased by General Mining Union, Carbide's joint venture partner in the Tubatse chrome operation.

Included in the sale are Carbide's 49 per cent interest in Tubatse Ferrochrome, and all Carbide's interests in Jagdlust Chrome Company, Chrometco Minerals and Chrome Corp (South Africa).

Carbide's domestic tungsten and worldwide vanadium interests, including its 100 per cent interest in Vametco Minerals, are being purchased by a group of employees. This is headed by Mr William Beattie, who has served as vice president of Umetco Minerals, a wholly owned Carbide subsidiary.

Included in the sale are a tungsten mine in California, a vanadium mine and mill at Hot Springs, Arkansas, and a vanadium and tungsten chemicals facility at Niagara Falls, New York.

Vametco Minerals' main asset is a world-scale vanadium mine and mill at Brits, South Africa.

Earlier this week Carbide won a victory in the battle against GAF, a building materials and chemicals group, when a Federal judge upheld Carbide's anti-takeover plans.

Carbide is offering $20 a share in cash and $65 in bonds for 35 per cent of its shares, compared with GAF's sweetened $74 a share offer.

The deadline for the tender was midnight on December 31, and Wall Street institutions were said to be heavy sellers of Carbide stock as shareholders tendered their holdings.

US oil groups halt talks

TEXACO and Pennzoil temporarily halted out-of-court talks to settle Pennzoil's $11.1bn court judgment against Texaco after the companies listed the Texaco oil and gas fields they wish to have included in any settlement, AP-DJ reports from New York.

Although the sides remain far apart in their discussion of a property settlement, their willingness to resume negotiations soon is a sign that a settlement can be reached, according to lawyers and others close to the talks.

However, it was clear after the one-day session on Monday in Tulsa, Oklahoma, that the complexity of settling history's largest legal judgment has melted away some earlier optimism that an agreement could be reached early this week.

Pennzoil plans a new legal assault to intensify settlement pressure on Texaco. It is understood that Pennzoil lawyers are preparing a motion to dissolve a federal court's temporary restraining order barring Pennzoil from attaching liens on Texaco assets while the judgment remains on appeal.

A hearing on the restraining order was indefinitely postponed on December 20 to encourage the companies to conduct the settlement talks.

But by demanding a hearing on the restraining order, some analysts say, Pennzoil aims to send a signal to Texaco that it is ready to begin attaching assets if it is not satisfied with the progress of the talks.

Texaco officials entered Monday's meeting hopeful that Pennzoil would present a dollar figure for what it seeks as the overall value of any settlement. Previously, widespread speculation had put that figure at between $1bn and $3bn.

It could not immediately be established whether Pennzoil put any specific figure on the bargaining table on Monday.

One analyst familiar with the company's presentation said, however, that the properties cited have a total value of $5.5bn to $6bn

LADBROKE INDEX
1,133-1,137 (+8)
Based on FT Index
Tel: 01-427 4411

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE DECEMBER 20, 1985

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	10.082	−1.500	12.258	10.082
Canadian Dollar	11.143	−0.756	13.258	11.143
Euroguilder	6.142	−1.093	7.879	6.131
Euro Currency Unit	9.383	−0.111	10.401	9.189
Sterling	11.187	−0.724	11.600	10.763
Deutschemark	6.980	−0.414	7.860	6.854

Bank J. Vontobel & Co. Ltd., Zurich - Telex: 812744 JVZ CH

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 31.

U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield

[illegible]

OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield

[illegible]

FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld

[illegible]

DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield

[illegible]

CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem

[illegible]

SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield

[illegible]

YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield

[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C.yld = current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

Argyll claims victory in statistics wrangle

BY LIONEL BARBER

MERCHANT BANK advisers to Argyll Group, which has launched a £1.8bn hostile takeover bid for Distillers, the Scotch whisky combine, yesterday said that the Takeover Panel had vindicated its use of statistics which reported a sharp fall in the worldwide sales of DCL's Johnnie Walker brands.

DCL directors last week complained to the Panel over an advertisement published by Samuel Montagu, Charterhouse Japhet and Noble Grossart which said that the volume sales of Johnnie Walker had fallen by almost one-third since 1977.

In a separate advertisement in national newspapers on Monday, DCL published selected Press cuttings, one of which claimed that Argyll was facing "troubles" over its statement on Johnnie Walker sales.

Argyll's advisers said that the Takeover Panel had not requested a withdrawal, nor a correction of the statements previously made.

Argyll's advisers said that the estimates on Johnnie Walker's performance were based on statistics prepared by Wood Mackenzie, a circular by another, unnamed broker (regarding 1984 sales), and various trade sources. These indicated that world sales fell from some 11.7m cases in 1977 to 8.3m cases in 1984, a decline of almost one-third.

They added that the 1984 statistics were based on an analysts' presentation given by DCL last October. Similarly, based on the same sources, Argyll estimated that the combined market share of Johnnie Walker Red and Black labels fell from 17 per cent to 13 per cent in this period.

The bid battle between Argyll and DCL has been particularly aggressive in recent weeks. DCL has always insisted that Johnnie Walker, of its best-known brands, is also one of the best performers in the group.

● Distillers is to transfer the marketing of Gordon's Gin, Booth's Gin and Cossack Vodka from its white spirits division to Home Trade, its recently established sales and marketing subsidiary. Home Trade already markets all Distillers' whisky brands except Dewar's, together with Hine Cognac and Pimm's. It will take over white spirits distribution on April 1.

Beecham denies Unilever bid approach

Beecham's merchant bank, Hill Samuel, has moved to quell speculation that the pharmaceuticals and consumer products group is the subject of a bid approach from Unilever, the Anglo-Dutch consumer goods combine.

Speculation that Beecham could become a bid target began soon after the ousting of Sir Ronald Halstead as chairman last November and was given added impetus by a Sunday newspaper report at the beginning of December suggesting that Unilever was contemplating a move.

Beecham's share price has risen from 285p at the time of the first-half figures and Sir Ronald's resignation to 361p on Tuesday, at which level it gives the group a market capitalisation of £2.7bn.

Beecham and Unilever both have policies of refusing to comment on bid speculation, but Mr George Stuart-Clarke of Hill Samuel said on Tuesday: "There have been no discussions with Unilever and no approaches so far as I am aware."

Mr Stuart-Clarke also quashed a more recent rumour that Beecham might attempt to ward off a hostile bid by seeking a defensive merger with Guinness.

Britannia Arrow's rivals buy further tranches of shares

BY CLIVE WOLMAN

THE TWO opposing groups of shareholders in the £284m takeover bid for the financial services group Britannia Arrow bought further tranches of shares in the company on Tuesday, and more purchases are expected before tomorrow's closing date.

The Guinness Peat Group, a banking and investment group, which launched a bid in late October, and its merchant bank Morgan Grenfell, increased their stake by a small amoun to just below the 29.9 per cent maximum level permitted by the Takeover Code. At the same time, a concert party which is resisting the takeover bid led by Mr Robert Maxwell, publisher of Mirror Group Newspapers, raised its stake by a further 2 per cent to just over 24 per cent.

The four members of the concert party are Mr Maxwell's Pergamon Press, which before Tuesday's purchases held 10.9 per cent of the shares, MIM, the UK investment management subsidiary of the US insurance company, Aetna Life and Casualty, which held 7.3 per cent, the Britannia Arrow board with 0.6 per cent, and funds under Britannia's management with 3.45 per cent.

One potential merger partner likely to be accepted by the Britannia Arrow board is MIM, which was controlled by the Samuel Montagu merchant bank until last year, or its US parent.

The battle to win majority support in the last two days will concentrate on the investment institutions with large stakes in Britannia Arrow. The largest are the London and Manchester Assurance Company, which has board connections with Guinness Peat, with a 5.6 per cent stake, and Prudential Assurance with 3.7 per cent.

Mr Michael Newman, chief executive of Britannia Arrow, said yesterday that he had received pledges of support from institutional investors holding 31 per cent of the shares. This figure includes the shares held by the concert party.

Individual shareholders, who traditionally are more inclined to remain loyal to defending company managements, account for another 25 per cent of the shareholders.

The value of the Guinness Peat cash offer, which cannot be raised any further under the Takeover Code, is 140p with a share alternative. The Britannia Arrow share price closed on Tuesday, up 1p at 141p. The average acquisition cost of the stake held by Mr Maxwell's concert party is estimated at 143p per share.

Highgate & Job in profit at midyear

IMPROVED RESULTS by the protein division enabled the Highgate & Job Group to swing from losses of £12,000 to pre-tax profits of £12,000 at the six months' stage.

Furthermore, trading conditions in recent years have been more favourable in the second half and so far this pattern is being maintained.

The protein sector continued to benefit from the corrective action taken at this time last year.

The six months to September 30 1985 saw turnover push ahead from £2.52m to £2.75m — the group, based at Paisley, is a marine and animal oil refiner and producer of protein meal.

A divisional breakdown of pre-tax profits shows: oil and chemical £20,000 (£16,000) and proteins £11,000 (loss £6,000). Unallocated overheads accounted for £19,000 (£22,000).

There was again no tax charge and earnings per share emerged at 1.24p (loss 1.24p)—no ordinary dividends have been paid since 1978.

Regalian Properties

Regalian Properties' rights issue of 3.41m new ordinary shares has been taken up in respect of 3.36m ordinary (98.3 per cent of the issue).

The balance of 58,332 ordinary has been sold in the market

Scottish life business buoyant

THREE Scottish life companies have announced their new business figures for 1985, showing in general a buoyant market last year particularly for individual pensions business.

The highlight of the new business results for Scottish Mutual Assurance Society was the highly successful launch of its unit-linked operations with £112.5m sales of single premium bonds. The company's ordinary single premium business was down over 8 per cent to £29.9m.

Scottish Mutual, in line with expectations from other life companies, reported a doubling of its annual premium business on self-employed contracts to £11.1m, while new annual premiums on executive pensions business climbed over 40 per cent to £5.4m. Ordinary life sales in contrast were dull with new annual premiums down substantially to £6.6m.

Scottish Life Assurance Company reported a 9 per cent rise in new annual premiums from £19m to £20.7m and a near 40 per cent rise in mortgage related premium business from £39.4m to £54.9m.

The company maintained during 1985 the successful start to its unit-linked operations in the previous year. New annual premiums rose by half from £800,000 to £1.2m and single premiums from £23m to £34.2m.

Personal and executive pension business was also buoyant. New annual premiums more than doubled on self-employed pensions to £2.03m, while single premiums climbed 30 per cent to £2.6m. Executive pension business saw annual premiums improve 45 per cent to £1.7m and single premiums double to £3.7m. Total new premiums on group life and pensions business improved by a fifth to £22.3m.

Ordinary assurance business held up well, with mortgage related business showing only a minimal drop in new annual premiums from £10.1m to £9.9m. Scottish Life is a member of the Citibank panel, and also gets a substantial amount of mortgage business from independent intermediaries.

In contrast the Scottish Provident Institution reports a mixed pattern of new business in 1985, with new annual premiums up 17 per cent from £14.8m to £17.1m, but single premiums cut by more than half from £33.3m to £14.8m.

The company failed to maintain the impetus of the successful launch of its unit linked operations in 1984. Sales of single premium bonds last year amounted to £7m against £24m in the launch year.

However, the company recorded successful pensions business, as expected and a 20 per cent rise in mortgage related annual premiums to £7.5m—very much against the trend in this business. Scottish Provident markets mainly through mortgage brokers.

New annual premiums on self-employed pensions jumped 50 per cent to £1.6m with single premiums unchanged at £3m. New annual premiums on executive business climbed 50 per cent to £2m, while group life and pensions business rose by a quarter to £4.5m.

New money on the company's managed pension funds rose more than 50 per cent from £7.2m to £11.3m.

Unchanged bonus rates from Friends' Provident

Friends' Provident Life Office, a leading UK mutual life company, has announced unchanged reversionary bonus rates for 1985 on all its life and pension contracts. These rates are at their highest ever levels.

In addition, the company is maintaining its final bonus rates on life contracts for claims arising in 1986. But an increased final bonus is being paid on self-employed pension contracts, while a final bonus is paid for the first time on executive pension contracts which vest this year.

Thus on ordinary life policies, the reversionary bonus rate remains at £5 per cent of the sum assured and attaching bonuses, with a final bonus rate of 105 per cent of attaching bonuses. For flexible life policies, the reversionary bonus rate stays at £5 per cent compound with a final bonus of 40 per cent of attaching bonuses.

Individual pension contracts for the self-employed have the final bonus lifted from 105 per cent to 120 per cent of attaching bonuses, with a reversionary bonus unchanged at £8.50 per cent compound.

Executive pension plans get a final bonus of 60 per cent on annual premiums contracts, 50 per cent on single premium plans, of attaching bonuses. Group pension schemes have a reversionary bonus rate of £11.25 per cent.

The company points out that the maintenance of these bonus rates reflects the great strength of its life and pension funds, with a very strong investment reserve. Final bonus rates will be reviewed again in April when the final accounts for 1985 are available.

Record terminal bonus rates payable on with-profit pension contracts which vest this year, have been declared by Gresham Life Assurance Society, a member of the Dutch insurance conglomerate Amev Group. These rates are improved from 30 to 35 per cent of attaching bonuses.

However, terminal bonus rates on assurances maturing or becoming death claims this year remain at 45 per cent of attaching bonuses.

The company has lifted these bonus rates for pension contracts to emphasise the gross roll-up of the underlying pension investment funds.

Reversionary bonus rates will be announced in the next few weeks.

Cannon's mortgage offer

Cannon Assurance, a member of the US insurance group Lincoln National Corp, has announced its entry into the UK house mortgage market—the latest in a growing list of life companies to offer mortgages direct to the public.

The service, which started in November, is being handled through a new subsidiary CL Mortgages, which will deal with the complete mortgage package.

Cannon has raised an initial tranche of £60m from the Bank of Montreal and has a guarantee of continuing finance. But it will handle all aspects of the mortgage package.

Advances will be made up to 95 per cent of the property's valuation. Loans from £15,000 to £130,000 will be available for periods from 10 to 35 years, on an interest only basis at 12.75 per cent, with repayment by either an Investment Mortgage Plan or a pension-linked plan, with life cover for the term of the loan.

Cannon is aiming at the upper end of the market. The average mortgage so far is in excess of £30,000 and the company expects this to continue.

The main purpose of the new service is first mortgages on aceptable property. However, advances will be available for remortgages, improvements, extensions and also loans for business expansion and education fees.

Mr Neil MacGregor, the mortgage manager, sees the Government's proposed pension changes as opening up the pension mortgage market. The main source of business will come from Cannon's direct sales force and the intention is to have the system up and running by the time personal and full AVC facilities become available.

The company is already considering alternative forms of funding, advised by the Bank of Montreal.

Other life companies in the mortgage market have adopted a variety of funding methods, from on-lending from a financial institution to consortium borrowing.

Montagu weighs up new issues

THE BULL market in equities helped sustain the amount of capital raised through the stock market in 1985 at a level only slightly below the previous year's level—which was given a strong boost by flotation of British Telecom—according to a report from Samuel Montagu, the merchant bank.

The figures show that the total amount of new sterling money raised through the issue of Stock Exchange quoted securities in 1985 was £11.7bn. The previous year's figure was £12.6bn, of which £3.9bn was raised in the BT flotation.

British Government securities are not included in the figures.

Most of the money—some £9.6bn—was raised by UK companies. Samuel Montagu comments that the year was marked by the come-back of the rights issue, and that the second quarter in particular witnessed a burst of activity, including the launch of the private sector's two biggest rights issues yet: Hanson Trust's for £519m and Barclays Bank's for £513m.

Convertible issues were also back in favour after several years in the doldrums. "Their hybrid character as a surrogate for either debt or equity provoked strong interest from companies," Samuel Montagu notes. Convertible debt totalled £341.8m.

Elsewhere, however, there were disappointments. The long-awaited revival of the corporate bond market failed to materialise in spite of legislative changes designed to nurture a recovery, and issues totalled just £345m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interim: AIM

FUTURE DATES

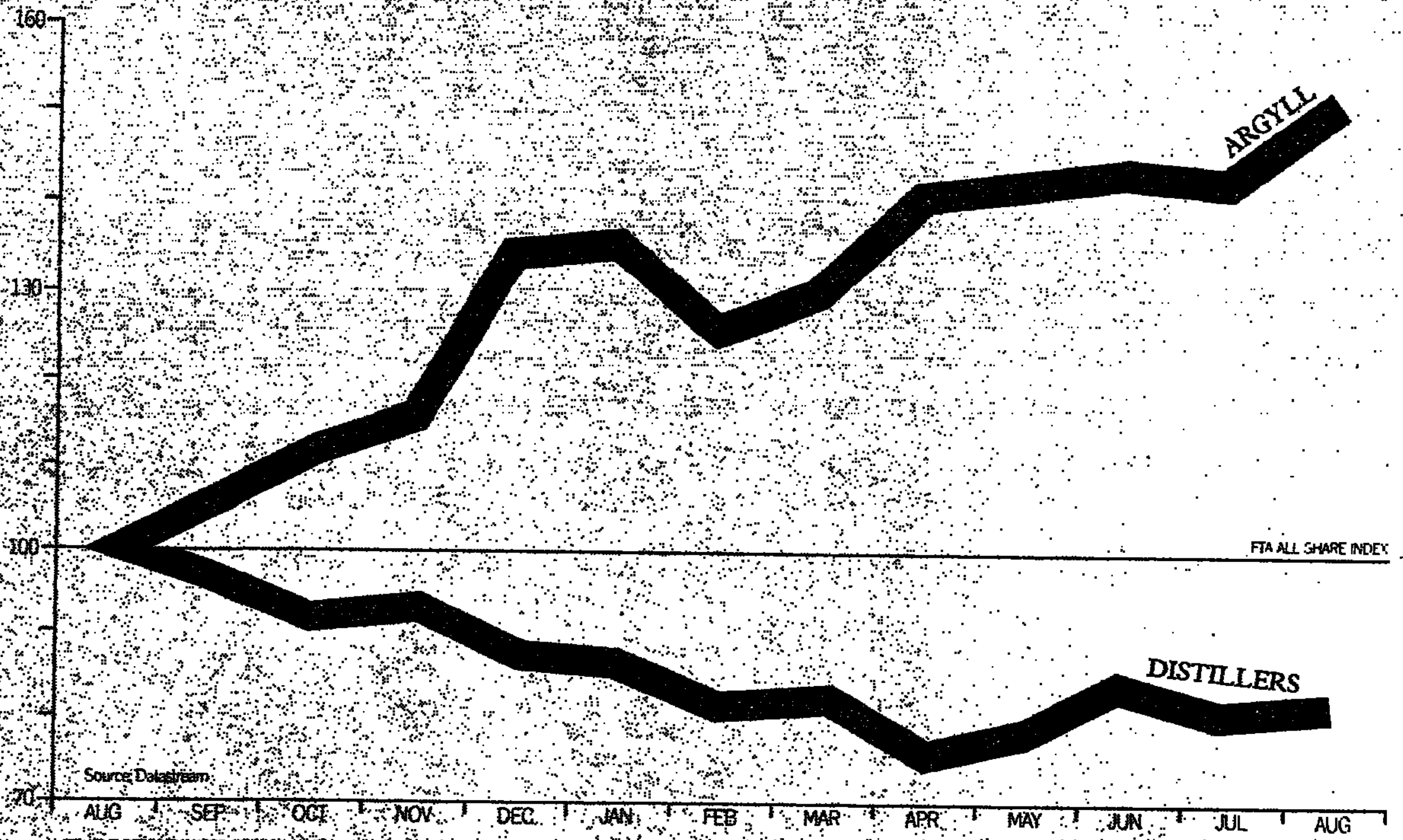
Interims:

Fleming Technology Inv Tst	Jan 15
Hollas	Jan 8

Finals:

Brint Investments	Jan 10
Howard Group	Jan 14
St Andrew Trust	Jan 16
Sturge	Jan 14

هكذا من الأصل



RELATIVE PERFORMANCES OF ARGYLL'S SHARE PRICE AND DISTILLERS' SHARE PRICE COMPARED TO THE FTA ALL SHARE INDEX IN THE TWELVE MONTHS TO 20th AUGUST 1985, THE DAY BEFORE BID RUMOURS

Argyll wish Distillers a prosperous 1986.

Argyll. We can revive Distillers' spirits.

Thinking of accepting Guinness Peat's offer? Think again!

Britannia shareholders are strongly advised by the Board of Britannia to:

Retain your shares

We firmly believe that Guinness Peat are not offering a realistic price for your shares. Do not accept their offer to buy your shares on the cheap.

Look to the future

There are numerous options open to Britannia's management to ensure that shareholders' financial interests are fully protected after this inadequate offer has lapsed.

Support your winning team

Your management has provided shareholders with outstanding returns year in, year out. □ Remember, £1000 invested in Britannia in 1980 is worth over £7000 today. A similar investment in Guinness Peat is today only worth just over that very same £1000. (Source: Datastream.) □ Continue to give your management your full support—they are worthy of it.

Back Britannia's proven management. Continue to support your board.

Britannia Arrow

Continue to ignore the offer.

BUSINESS LAW

1986: it's all stations go - except, of course, for the lawyers

By A. H. HERMANN, Legal Correspondent

LAST YEAR it seemed to be more difficult than ever to forget the trees and to see the wood. During 1985 so many separate issues assumed quite extraordinary proportions and intensity: the miners' strike and the conversion of the unions to the rule of law; the scandals in the City and the decision to impose a rule of law on it; the eruption of mega-mergers and the demise of competition law; the Laker litigation with its humbling of the British Government in the US courts and its decision to join the bandwagon of treble-damages litigation if it could not beat it. The Community has been expanded, its surpluses of produce and deficits of money reached unprecedented heights.

Searching for a common denominator, one can only say that populations and trading corporations became too big and too heterogenous for a legal system tailored to the measure of small town entrepreneurs and men of property. This year will bring the next stage in the transformation of the City, and we may well see big changes in the European Community, and in transatlantic and East-West relations. Everyone seems to be surging forward, bursting out of the conventional tracks: only the legal system stands fast, resisting change, its practitioners self-centered and self-indulgent as ever.

Indeed, instead of moving forward, the superior courts are still crawling backwards; it will take more than two years to demolish Lord Denning's heritage but the courts are applying themselves diligently to the task. While non-marital associations—and children born out of wedlock—are on the increase, the courts are putting back the clock, replacing Denning's fairness to common law wives by the male chauvinism of trust lawyers.

If only they could also revert to the "freedom of contract," to its supremacy over consumer protection, and return judicial review of administrative acts to limbo, the circle would be complete and Denning would be relegated to history.

At a time when state traders dominate half the world market, English courts have successfully gnawed away at the concept that states should not enjoy sovereign immunity when they enter the market place. The 1979 Sovereign Immunity Act, which incorporated a concept that had been lucidly expounded by Lord Wilberforce, has been whittled away step by step as demonstrated by the *Columbian Embassy* and *Settebello* cases. The US courts are no less inconsistent but more easily impressed by the wishes of the banks and of their Government, as was vividly illustrated by the two contradictory judgments given by the same court in the Puerto Rican bonds case.

On the tax front, the principle that only real transactions should matter and that taxes should not be avoided by means of artificial paper transactions, established by the House of Lords in the Ramsey case in 1981, is being applied by Chancery judges only reluctantly and spasmodically. This is only a part of the general reluctance of courts to move—or better to return—to an interpretation of law which puts greater weight on the intention of Parliament than on the tortuous and clumsy wording into which it is put by parliamentary draftsmen.

Insistence on literal interpretation of statutes is, in its turn said to be the major obstacle in the way of more lucid and generally understandable drafting of statutes which would bring about a greater certainty of law with a consequent reduction in the amount of litigation.

Sir John Donaldson, though presiding over a backward-looking Court of Appeal, and himself no pioneer of law reform, has continued to demonstrate a keen appreciation of the need to overhaul the machinery of courts. He would shift some of the load from courts to arbitration, enhancing its status, and would restrict the appeals that clutter up his own court at great expense to the unfortunate litigant. He seems to be waiting until his first attempts to streamline court procedure and eliminate absurd traditions that waste judicial time have been digested by the profession. But he has bought a computer—and one would hope that it will be used to improve the co-ordination of the judges' time schedules with those of counsel appearing before them.

By contrast, the legal profession proudly sticks to every restrictive and wasteful tradition it can think of. As Mr R. Alexander, the chairman of the Bar, told solicitors keen to be allowed into the High Court, at least on formal and unopposed business: "Divided we stand, united we fall." It is the fear of losing some conveyancing business that makes solicitors press for a greater share in litigation. The "single capacity" of solicitors and barristers in high courts is ridiculous but the suburban and provincial solicitors should consider establishing the kind of relationship with small and medium firms that their predecessors had with rich families. However, instead of creating new business, lawyers look out for more of the same. Solicitors have voted for advertising, and the barristers will follow.

State traders dominate half the world market, but the English courts have whittled away the principles of the 1979 Sovereign Immunity Act

Solicitors realise that their services are much too expensive if they have to turn to the barristers every time a legal problem emerges. The City firms increasingly manage without barristers, attracting more and more legal talent into their offices.

Some of the bigger provincial firms may follow this example but for others, the future seems to be in becoming business solicitors who do not litigate, but advise their clients on how to avoid litigation. There is great scope for them in this regulatory age to take up law compliance work and to recover from the accountants and merchant bankers some of the work which is done by American lawyers as a matter of course. The English solicitors have lost such work because they made money so much more easily by conveyancing, probate and divorce work.

The past year was one of great hopes for abritration. The jamming of the courts and the escalation of legal costs underlined the role which arbitration is playing in certain business sectors and could also play in others. To expand further, particularly in the area of international arbitration, and to recover some of the business lost in this field because of the possibility of delaying appeals to courts, English arbitration law would have to be clarified and returned to its original intents.

The necessity to prepare for a possible judicial review of the award, the system of calculating fees, and the weakness of the arbitrator's position vis-a-vis the lawyers who play an important part in his appointment, leads to inordinately long and costly hearings. It seems unfortunate that instead of concentrating on the burning need to improve the arbitration law and procedure now, the attention was shifted to the Model Law, adopted by Uncitral in June but still no more than pie in the sky.

The delays in updating London arbitration seem all the more regrettable since arbitration is now playing a greater role worldwide, as was demonstrated by the US Supreme Court when it extended its use to anti-trust disputes in the Mitsubitchi decision. There is some hope that a new vigorous intellectual impetus will come from the newly established School of International Arbitration. One hopes that the Centre for Commercial Law at Queen Mary College, of which the school is part, will generate pressure for reform in this and other branches of business law—the field which, one notes with regret, the Law Commission seems almost to have given up.

US locomotives for quarry concern

FOSTER YEOMAN, a quarry business based near Shepton Mallet, Somerset, has ordered four diesel locomotives from General Motors of the US. The company says they are more reliable and give better performance than anything it could buy from British manufacturers.

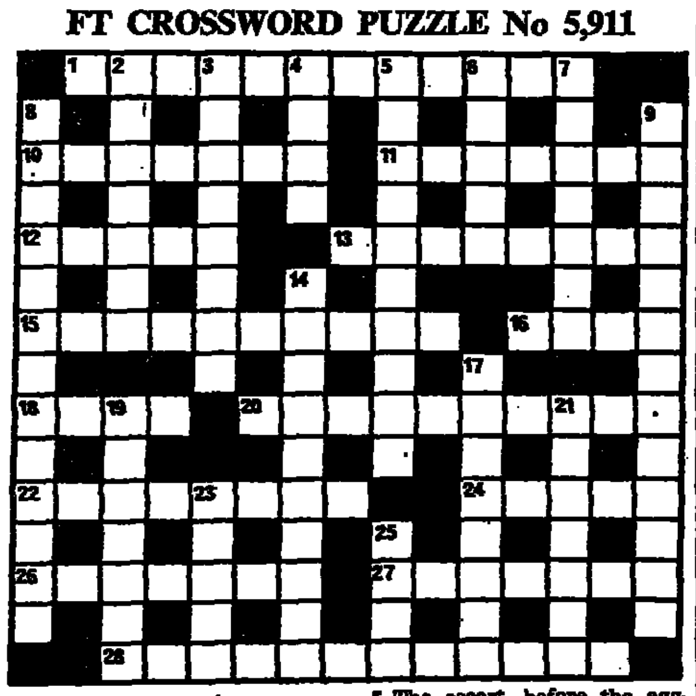
The locomotives, which will run on British Rail tracks in January, can haul a train of 4,300 tons. They will be maintained by BR drivers and engineers.

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord.	118	—	7.3	6.2	7.2	8.7
151	121	Ass. Brit. Ind. CULS	121xd	—	10.0	8.3	—	—
77	43	Airsprung Group	70xd	—	6.4	9.1	11.7	15.2
46	28	Armitage and Rhodes	28	—	4.3	11.3	4.7	6.7
187	108	Bardon Hill	186	—	4.0	2.4	21.3	22.1
84	42	Bray Technologies	56	+1	3.9	7.0	6.8	7.9
201	136	CCL Ordinary	136	—	12.0	8.8	3.3	3.2
152	97	CCL 11pc Conv. Pref.	97xd	—	15.7	16.2	—	—
130	70	Carborundum Ord.	100	—	4.9	4.2	5.7	9.0
94	83	Carborundum 7.5pc Pf.	91xd	—	10.7	11.8	—	—
74	46	Deborah Services	56	—	7.0	12.5	5.8	7.7
32	21	Frederick Parker Group	21	—	—	—	—	—
83	33	George Blair	77	+2	—	—	3.1	5.7
59	20	Ind. Precision Castings	59	+1	3.0	5.1	15.8	13.0
218	172	Isis Group	176xd	—	15.0	8.5	13.5	20.2
124	101	Jackson Group	115	—	5.5	4.8	7.7	7.7
292	213	James Burrough	292	—	15.0	5.1	8.2	9.2
95	83	James Burrough 9pc Pf	95	—	12.9	13.6	—	—
95	71	John Howard and Co.	73	—	5.0	6.8	5.7	9.0
236	100	Linguaphone Ord.	180s	—	—	—	5.8	6.9
100	90	Linguaphone 10.5pc Pf.	90s	—	15.0	16.7	—	—
650	300	Minihouse Holding NV	575	—	6.9	1.2	26.1	23.9
120	31	Robert Jenkins	71	+1	—	—	9.2	20.3
80	29	Scruttons "A"	30	—	—	—	—	7.7
92	61	Torday and Carlisle	67	—	5.0	7.5	3.4	6.1
444	320	Travian Holdings	325xd	+1	4.3	1.3	18.5	16.2
42	17	Unilock Holdings	21	+1	1.3	6.0	11.4	11.2
130	81	Walter Alexander	130	—	8.6	6.6	7.4	9.0
247	195	W. S. Yeates	200	—	17.4	8.7	5.7	9.8

s=Suspended.

FT CROSSWORD PUZZLE No 5,911



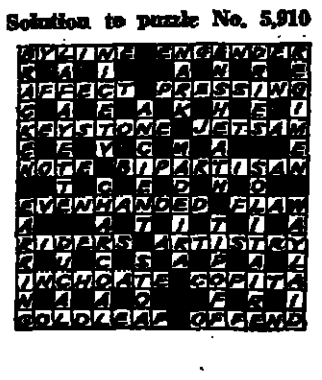
ACROSS

1 Do we gather the girl's taken the barometer? (12)
10 Brown isn't prepared to come round for the moment (7)
11 Inexpert first aid assistant takes half an hour (7)
12 Turning point in door manufacture (5)
13 Not having a vehicle, a quarter will enter unstudied (8)
15 Choose to speak at length to some cross people (10)
16 The girl ought to be taken in soon (4)
18 To talk of the power of a small child (4)
20 Before the salesman returned, I let Ron deal with the intruder (10)
22 Picture the main space when it's been rebuilt (8)
24 The doctor is to back "In Good Health" as a theme—(5)
26 —and alters, taking a long time about it, the programmes (7)
27 The sea, when leaving Asia, brings you to these islands (7)
28 One who rears livestock is holding a party for one of his employees (4, 8)

DOWN

2 Characteristic feature of Oriental scenes, oddly enough (7)
3 Irritable artist against going into burlesque (8)
4 The second mate set about taking some food (4)
5 The escort, before the egghead entered, made certain (10)
6 On a holiday in the North of England, not sleeping (5)
7 Exist in gloss and weak beer (7)
8 Aster is leaving from September 29th (10, 3)
9 His stay in camp was no holiday (8, 2, 3)
14 Standing up last, the new parson admitted "It's a change of order" (10)
17 Fumble around, dropping two articles inside while looking for a torch (8)
19 The thief is just one of many going to pot (3-4)
21 The power to raise some money to cover it (7)
23 Cold, dear? Toss on some wood (5)
25 Search thoroughly; a hollow stock is missing (4)

Solution to puzzle No. 5,910



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE Dlg. 01-236 3885

International Growth	112.1	110.3	+0.5	1.30
Income & Growth	45.3	48.2	+0.1	2.8
Special Situations	60.5	64.4	+0.4	1.20
American Growth	29.1	30.9	+0.3	1.60
Japan Growth	35.5	37.8	-0.4	—
European Growth	49.5	52.7	+0.4	2.30
UK Growth	44.4	47.5	+0.2	1.4
Pacific Growth	33.2	35.3	+0.2	2.0
High Income	30.0	32.0	—	7.6
Practical Income Units	44.3	47.1	+0.1	2.70
Practical Accum. Units	79.7	84.8	+0.2	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd.	71.2	75.7	+0.5	2.82
Accum Units	105.2	111.9	+0.4	2.82
Pearl Inc.	97.5	103.7	+0.3	4.76
Pearl Unit Tst.	103.3	109.9	+0.4	3.75
(Accum. Units)	177.0	188.3	+0.8	3.75
Pearl Intl Equity	102.6	109.1	-0.7	1.83
(Accum Units)	102.6	109.1	-0.7	1.83

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	218.4	23.4	+0.2	1.45
Income	155.6	166.4	+0.5	5.36
Worldwide Recovery	119.7	128.5	-0.6	2.33
American Growth	59.1	63.5	-0.6	1.08
Intl. Emerging Cos.	64.9	69.7	-0.3	0.73
Far East Growth Fd.	52.7	56.6	-0.6	1.14

Prolific Unit Trusts
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc.	50.4	53.4	—	4.48
Prolific Far East	115.0	122.9	+0.6	0.26
Prolific Extra Inc.	67.0	71.1	+0.2	3.75
Prolific Convert & Gilt	82.8	87.8	—	7.18
Prolific High Inc.	143.5	152.2	+0.8	5.00
Prolific Intl	91.6	97.1	+0.2	1.79
Prolific N. Amer.	122.4	129.8	+0.2	1.97
Prolific Spec. Sits	156.2	165.6	+0.9	1.37
Prolific Technology	104.5	110.8	—	0.59

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	195.9	208.2	+0.2	2.29
(Accum. Units)	219.5	230.8	+0.2	2.29
(Withdrawal Units)	141.5	150.7	+0.1	2.29
Australian Fund	102.5	109.2	—	1.07
(Accum. Units)	103.4	109.2	—	1.07
British Fund	477.8	508.9	+2.4	4.61
(Accum. Units)	636.9	677.3	+3.2	4.67
European Fund	221.6	236.0	+2.8	1.029
(Accum. Units)	233.5	248.9	+3.1	1.029
Japan Fund	218.4	232.6	-0.6	0.34
(Accum. Units)	219.0	233.3	-0.6	0.34
Saints PPP	145.2	152.7	—	—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst.	340.3	362.0	+1.2	2.46
North America	51.5	54.7	+0.1	1.82
Far East	54.9	58.4	-0.2	1.18

Sun Life Trust Mngmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc.	24.9	26.5	+0.1	1.9
American Income Acc.	25.4	27.2	—	4.6
American Income Inc.	25.6	27.2	—	4.6
European Growth Acc.	39.4	41.9	+1.5	2.1
Far East Growth Acc.	28.8	30.6	+0.8	0.8
Int. Growth Acc.	27.4	29.2	+0.4	0.9
Japan Growth Acc.	35.2	37.4	+0.9	0.5
UK Growth Acc.	29.3	31.2	+0.6	2.4
UK Income Acc.	26.9	28.6	+0.3	4.4
UK Income Inc.	26.9	28.6	+0.3	4.4
Managed Growth Acc.	30.9	32.9	+0.6	2.3
Managed High Yield Inc.	32.7	34.8	+0.3	6.8
Managed Income Inc.	27.6	29.4	+0.3	4.5

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450161

Equity Dist.*	232.3	245.8	—	3.90
Equity Acc.*	279.5	295.7	—	3.90
Fixed Int. Dist.†	116.0	120.2	—	11.25
Fixed Int. Acc.†	170.2	176.3	—	11.25

*Prices on Dec 11. Next dealing Jan 8
†Prices on Dec 4. Next dealing Jan 2

TSB Unit Trusts (b) (c) (y)

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

M & G/Kleinwort Benson				
91 99 New London Rd, Chelmsford			0245 51651	
H I C A.	11 00	8 22	12.21	Daily
Midland Bank plc				
PO Box 2, Sheffield			0742 20999 Ext 8655	
High Int Chq Acc.	10 70	8 00	11 92	Qtr
£10,000 +	11 10	8.30	12.39	Qtr
Oppenheimer Money Mgmnt Ltd				
66, Cannon St, EC4N 6AE.			01-236 1425	
Money Mngt Acct.	10 875	8 2d		3-Mth
Phillips & Drew Trust Ltd				
120 Moorgate, London EC2M 6XP			01 628 9771	
High Int Chq Acc.	11 25	8 41	12.40	Qtr
Provincial Trust				
30 Ashley Rd, Altrincham, Cheshire			061 928 9011	
Cheque Acc.	11 50	8 60	12 79	Mth
Royal Bank of Scotland plc				
24 Lombard St, London EC3V 9BA			031 557 0201	
Premium Account	11 0	8.24	12 11	Qtr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB			0708 66966	
H I B A.	10 70	8 00	11.89	Daily
Tyndall & Co				
29 33 Princess Victoria St, Bristol			0272 732241	
Demand Acc.	11 36	8 44	12 55	Qtr
Money Acc.	11 03	8 25	12.15	Qtr
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth			0705 827733	
Special Acc.	10 20	7 6d	11 27	Mth
Over £10,000	10 45	7.81	11.57	Mth
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL 1SE			0752 24141	
High Int Chq Acc	11.65	8 69	12.85	Qtr

NOTES—Gross. rate to those exempt from composite rate of tax. Net. actual rate after deduction of CRT. Gr Eqv CAR: Gross equivalent to basic rate taxpayers - compounded annual rate. Int Cr. frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price d Estimated g Today's opening price h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers z Previous day's price. ¶ Guernsey gross. # Suspended ♦ Yield before Jersey tax † Ex-subdivision ‡‡ Only available to charitable bodies ♦ Yield column shows annualised rates of NAV increase ad ex dividend.

OPTIONS

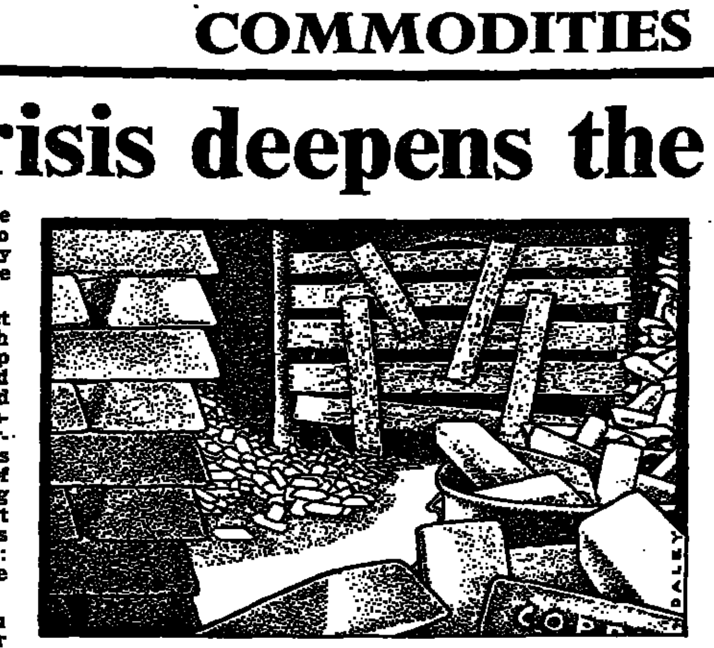
3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	35	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	23	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit. Oil & Min	3½
GKN	20	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE: FORECAST 1986

Tin crisis deepens the gloom



METAL MARKETS

ANDREW GOWERS

... peaked in May and was followed by a fairly bumpy decline.

This is not the whole story, however, since dollar metal prices also generally declined in the second half of the year before perking up in December. This movement reflected changing opinions about the future course of the US economy, ...

... in the 1960s and 1970s in the expectation of a much higher rate of growth in the world economy than has in fact materialised.

The cutbacks in the industry over the past five years, which have been particularly severe in North America, have not been enough to match the fall in demand. Often, the re-...

Turning to consumption, it is clear that in developed economies the growth in demand for non-ferrous metals has fallen behind the growth in manufacturing production, let alone overall economic growth. This is because metals are used less intensively in growth areas of the economy such as electronics and pharmaceuticals ...

... that the struggle could persuade a debt-laden North American mining group to push through the closures that are needed in copper, for example. And to end on a brighter note, there are those in mining who still have the time and resources to go prospecting — could there be another big gold find waiting to be discovered this year?

Traumatic times in the produce markets

SOFT COMMODITIES

STEFAN WAGSTYL

BATTERED AND bruised by 1985, traders in and producers of many of the soft commodities can have at least one consolation as they gaze into the New Year: 1986 can hardly be much worse.

Among the traumas of the past 12 months have been:

● A decline in world free market sugar prices to an all-time low in real terms;

● A substantial weakening in rubber and cocoa prices under the influence of surplus supplies;

● A precipitous drop in tea prices, following the peaks climbed in 1984, and a sharp drop in two other previous star performers, palm oil and orange juice;

● A plunge in trading volumes on some of the longest-established commodity markets, particularly in London;

● Perhaps most serious of all from the producers' point of view; an increasingly difficult political climate for international commodity agreements which aim to support prices or iron out wild fluctuations.

The only bright spot in the past couple of months, as far as the producers are concerned, has been coffee, which has leapt to eight-year highs as a result of an expected halving of the 1986 Brazilian crop by drought.

In many ways, what most traders expect to find in 1986 is more of the same.

In sugar, for example, the familiar structural problems which have reduced the world free market to marginal status remain.

They succeeded in pushing the International Sugar Agreement price—calculated on the basis of New York and London prices for raw Caribbean sugar—down to a record low monthly average of 2.72 US cents per pound in June 1985, which is a mere fraction of production costs in even the most efficient growing country.

However, prices have picked up substantially since last June (on New Year's Eve, the ISA 15-day average was quoted at 5.24 cents), and it is widely believed in the trade that they will not touch the lows of 1985 again in a hurry.

There are several reasons for this. First, some countries, led by Brazil, restrained their exports last year in a bid to improve the market. Second, crops in Cuba and the Dominican Republic have suffered from drought and hurricane damage. Third, demand from Third World sugar importers has perked up, particularly in India, where production fell.

Partly as a result, most forecasters are expecting that this year and possibly next, the market will be in deficit after years in surplus. The drawdown in stocks, though, will probably be quite small, so any price rise is likely to be modest.

In cocoa, the market was in surplus in 1984-85, and leading trader Gill and Duffus believes it will be again in the current season — though the margin, estimated at 54,000 tonnes, will be small enough to be vulnerable to crop upsets in key producing countries.

For both cocoa and rubber, whose price fell to its lowest level in three years in 1985 amid sluggish consumption, all eyes will be fixed this year on commodity pact negotiations. Many observers believe that the present difficulties of the International Tin Agreement will have an inevitable knock-on effect on these commodities.

In February, a fresh round of talks will take place in Geneva on renewing the International Cocoa Agreement, which is due to expire in September. But producing and consuming countries still seem far apart on what sort of price levels the pact should aim to sustain — and in any case, there must be doubts over the Agreement's eventual efficacy, given that the biggest consumer, the US, is certain to stay out.

Later in the year, there will be another round of talks on the International Natural Rubber Agreement, which expires in 1987. But here, too, there is a wide gulf between producers and consumers, and both sides are showing varying degrees of frustration over the operations of the pact's buffer stock manager, who has spent over $300m amassing a stockpile approaching 400,000 tonnes without having much appreciable impact on prices.

As far as coffee is concerned, increasing strains in the international agreement which aims to regulate its price through export controls are also likely to dominate the scene. The US has already let it be known that it is reviewing its position on the pact. But it is now likely that the recent price rise will force the complete suspension of export quotas in mid-February, and the International Coffee Organisation, which administers the agreement, may find it extremely difficult to reassert control over the market once that happens.

The more subdued world of tea has also had its share of excitements over the past couple of years. In 1984, after India, the largest producer, suspended and then restricted its exports, prices soared. But other producers plucked tea for all they were worth in a bid to cash in on the high prices, and last autumn India listed all export controls in a bid to recoup lost market share. As a result of the growing surplus, London auction prices crashed to their lowest level in more than two years.

Despite the likelihood of another bumper Kenyan crop this year, tea brokers are now hoping that the worst is over and that prices will recover somewhat in the New Year. But in tea, as in most of the other softs, everyone involved has learned from bitter experience not to overdo the optimism.

The transatlantic battle intensifies

AGRICULTURE

ANDREW GOWERS

The sabres were rattling more loudly than ever between the big exporters of temperate farm produce during 1985. And there are signs that in 1986, battle of a more serious kind will be joined.

The basic problem of world agriculture is one of over-capacity: too much grain, oilseeds, meat and dairy produce chasing static or dwindling numbers of customers. In 1986, that problem will, if anything, get worse.

Nobody realises this more acutely than the European Community and the US, both of which have been strugling with increasing difficulty in recent years to keep their over-sized agricultural industries alive. Equally, neither side has yet had much success in doing anything about it, apart from indulging it with ever-larger quantities and varieties of subsidy.

The result is a mounting crisis in agricultural trade, which nobody seems terribly confident about being able to avert—whether through the good offices of the General Agreement on Tariffs and Trade or elsewhere. Smaller agricultural exporters like Australia and New Zealand are, understandably, quaking in their boots.

From the point of view of world markets, there are no substantial grounds for optimism. In cereals like wheat and maize, for example, the amount of international trade has been in decline for some time, as countries like India and China have boosted their own production and weaned themselves away from dependence on imports. Last year, India actually had a sizeable grain surplus, with the familiar troubles in storing and disposing of it.

The only really substantial paying customer left in the wheat market has been the Soviet Union—and even Moscow left a big hole last year, when its own grain harvest rose.

For 1986, as a result of the growing imbalance between supply and demand and increasing self-sufficiency in what were once key importing countries, just about every forecaster is predicting a further weakening in cereals prices. The same goes for the oilseeds at the beginning of the 1985-86 season, the Economist Intelligence Unit reckons that stocks were up by 7 per cent on the previous year, so supplies will be plentiful almost regardless of what Brazil's drought does to its soyabean crop.

In dairy produce, too, there is little sign of an easing of the pressure from over-supply. As the Gatt secretariat reported in its annual assessment of the dairy market last month, heavy stocks of butter will continue to depress prices for some time.

As for meat, the picture is strikingly similar, according to Britain's Meat and Livestock Commission. EEC beef stocks, which reached a record level in 1985, will continue to overshadow the world market this year, as will fierce competition between European and South American exporters—particularly in the all-important North African and Middle Eastern markets.

So what are the prospects that the two biggest agricultural powers—the Americans and the Europeans—will get to grips with some of these issues in 1986?

The auguries can be found in 1985, and they are not good. In fact, both sides were last year presented with a seemingly ideal opportunity to grapple seriously with agricultural reform, and both failed in their different ways.

In America, the chance came with the debate in Congress on agricultural legislation for the next five years. The Reagan Administration started out with all guns blazing, in favour of phasing out agricultural support altogether and making US agriculture more attuned to the marketplace.

However, after immense lobbying pressure on Congress from a farm belt witnessing bankruptcies on an unprecedented scale, the Administration embarked on yet another export subsidy programme—this time with $2bn-worth of surplus produce as ammunition in a specific attack on markets supposedly stolen by the EEC.

And the President ended up by signing into law an Agriculture Act which will indeed lower the price of American exports — and with it world prices — but only at the considerable expense of freezing farm incomes by means of increasing deficiency payments.

EEC Government — having dealt, at least for the time being, with milk — failed to tackle the next most pressing issue: reform of the cereals sector. The fact that the Community failed to do more than tinker with its grain prices will only increase the pressure on its budget this year, particularly in the light of America's aim to drive down world market prices and the uncertain fate of the dollar.

Attention will turn in 1986 to the Gatt, where a fresh round of multilateral trade negotiations—incorporating agriculture—is set to start. But given the strong domestic political roots of farm support both in Europe and the US, hopes for the development of a cease-fire formula must be modest at best.

Steel drum plant in Aintree to close

THE Brady Drums Group is to close its light engineering factory in Aintree, Liverpool, and switch production of steel drums to other centres.

Redundancy notices were issued to the 200 engineering and clerical workforce just before Christmas and the factory, which the company said lost £400,000 last year, will close in three months.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during the week ending last Friday)

		(tonnes)
Aluminium	−400 to	222,750
Copper	+300 to	187,950
Lead	+1,125 to	61,275
Nickel	+42 to	6,444
Tin	+35 to	57,980
Zinc	−450 to	30,575
		(ounces)
Silver	−270,000 to	50,902,000

LONDON MARKETS

COPPER

Higher grade	Unoffic'l close	+ or −	High/low
Cash	—	—	973/972
3 months	—	—	994/990

Official closing (am): Cash 971.5-2 (980-1), three months 993-4 (994.5-5.5), settlement 972 (981). Final kerb close: 989-90.

Cathodes			
Cash	—	—	—
3 months	—	—	—

Official closing (am): Cash 952-5 (958-60), three months 980-3 (983-5), settlement 956 (960). Turnover: 8,500 tonnes. US producer prices 66.50-72 cents per lb.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	—	—	263/262
3 months	—	—	275/272

Official closing (am): Cash 262.25-.75 (284.5-5), three months 272.5-3 (274.5-5), settlement 262.75 (265). Final kerb close: 272-72.5. Turnover: 5,775 tonnes. US spot: 18.50-20 cents per lb.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	—	—	—
3 months	—	—	2885/2880

Official closing (am): Cash 2820-5 (2830-5), three months 2880-2 (2870-5), settlement 2825 (2835). Final kerb close: 2880-85. Turnover: 624 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	—	—	—
3 months	—	—	495/491

Official closing (am): Cash 484-6 (488-7), three months 492-3 (492.5-4), settlement 486 (487). Final kerb close: 493-93.5. Turnover: 4,425 tonnes. US Prime Western: 35-35.75 cents per lb.

GOLD

Gold fell $¾ to $327-$327½ on the London bullion market on Tuesday. The market closed at noon, ahead of the new year holiday, and trading was very quiet. Gold also opened at $327-$327½, and this was the highest level of the day. It was fixed at $327 in the morning, and touched a low of $325-$326½.

GOLD BULLION (fine ounce)		Dec. 31
Close	$327-327½	(£226½-227)
Opening	$327-327½	(£227¼-227¾)
M'n'g fix	$327.00	(£226.611)
Aft'n'n fix	$ —	(£ —)

GOLD AND PLATINUM COINS		
Kr'g'r'nd	$329 329½	(£228-228¼)
½ Krug.	$173¾-174¼	(£120¼-120¾)
¼ Krug.	$88¾-89¼	(£61½-61¾)
1/10 Krug.	$36¼ 36¾	(£25-25½)
Mapleleaf	$337 337½	(£233½-234)
Angel	$337-339	(£233½-235)
1/10 Angel	$32¾-37¼	(£22¾-26¼)
New Sov.	$78½-79	(£54¼-54¾)
½New Sov	$47-47½	(£32½-33)
Old Sov.	$83-84½	(£57½-58½)
$20 Eagle	$430-470	(£298 325¼)
Noble Plat	$351¼-355¾	(£245¾-246½)

Zinc 3 months	£492.5	−1.25	£429.5
Producers	$700		$698/670
OILS			
Coconut (Phil)	$440x		$390
Palm Malayan	$410z		$582.5
SEEDS			
Copra Phil	$256v	+5.0	$240
Soyabean (U.S.)	$228.20z	+0.99	$212.6
GRAINS			
Barley Fut. Mar.	£116.70	−0.10	£112.35
Maize	£142.50		£141.50
Wheat Fut. Mar.	£116.55	−0.15	£115.15
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1765.5	+11.0	£1671.5
Coffee Ft. Mar.	£2785	+204	£2007.5
Cotton A index	‡		47.80c
Gas Oil Feb.	$236.25	−5.0	$259
Rubber (kilo)	57p		56.5p
Sugar (raw)	$12.55x	−1.0	$145
Wooltops 64s	387p kilo		382p kilo

COCOA

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
Dec.	—	—	1732-1710
March	1776-1777	+11.0	1780-1768
May	1784-1785	+7.0	1788-1768
July	1796-1798	+4.5	1801-1782
Sept.	1808-1810	+4.0	1811-1795
Dec.	1814-1815	+5.5	1819-1805
March	1824-1830	+3.0	—

Sales: 2,347 (1,284) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for December 31: n.a. (108.95); five-day average for January 1: n.a. (108.92).

COFFEE

COFFEE	Yesterday's Close	+ or −	Business Done
Jan.	2675-90	+205.0	2676-525
March	2730-40	+204.0	2758-580
May	2790-95	+191.0	2815-655
July	2850-60	+186.0	2875-717
Sept.	2920-40	+195.0	2950-278
Nov.	2955-60	+185.0	2935-800
Jan	2960-3000	+202.5	2858-920

Sales: 5,431 (9,438) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for December 30: Comp. daily 1979 197.28 (193.39); 15-day average 179.19 (176.25).

FREIGHT FUTURES

	Close	Prev.	High/Low
Jan.	896/894	892/890	898/896
April	963/960	955-953	958/958
July	840/833	835/834	—
Oct.	923/919	919/916	—
Jan.	927/918	925/918	—
April	1008/1000	1005/1000	1000-1005
July	900/860	890/850	—
Oct.	1000/985	1000/985	985-985

GRAINS

LONDON GRAINS—Wheat: US dark northern spring No. 1 15 per cent, Jan 137.50, Feb 139.75, Mar 141 sellers transhipment east coast. US No. 2 soft red winter Jan 126, Feb 126.50, Mar 126.75 sellers. EC French Dec 135. English feed fob Jan 117.50, Jan/Mar 119.50, Jan/Jun 121.50, Apr/Jun 123.50, east coast. Maize: US No. 3 yellow/French transhipment east coast Dec 142.50. Barley: English feed fob Feb/Mar 120.50 paid, Jan 118, Apr/Jun 123 east coast. Rest unquoted.

NEW YORK

ALUMINIUM 40,000 lbs— cents/lbs

	Close	High	Low	Prev
Jan	52.05	—	—	51.25
Feb	52.30	—	—	51.90
Mar	52.65	52.65	52.50	51.85
May	53.25	53.25	53.10	52.45
July	53.85	—	—	53.05
Sept	54.50	—	—	53.70
Dec	55.50	—	—	54.70
Jan	55.85	—	—	55.05
Mar	56.50	—	—	55.70
May	57.15	—	—	56.35

COCOA 10 tonnes; $/tonnes

	Close	High	Low	Prev
Mar	2298	2305	2255	2255
May	2337	2344	2298	2298
July	2363	2366	2326	2323
Sept	2368	2380	2355	2343
Dec	2385	2375	2360	2365
Mar	2382	2381	2381	2372

COFFEE "C" 37,000 lbs; cents/lbs

	Close	High	Low	Prev
Mar	241.29	243.40	232.50	231.79
May	241.09	241.09	235.80	235.09
July	245.18	245.18	240.55	239.18
Sept	248.96	248.96	246.00	242.96
Dec	252.94	252.94	249.50	246.94
Mar	255.45	255.45	255.45	249.45
May	254.45	254.45	253.00	248.45

COPPER 25,000 lbs: cents/lbs

	Close	High	Low	Prev
Jan	63.40	64.10	63.10	63.20
Feb	63.80	—	—	63.36
Mar	64.15	64.20	63.95	63.85
May	64.45	64.50	64.20	64.10
July	64.70	64.75	64.45	64.35
Sept	64.85	64.75	64.60	64.50
Dec	65.10	65.15	64.90	64.80
Jan	65.20	—	—	64.90
Mar	65.40	65.50	65.50	65.10
May	65.60	—	—	65.30

COTTON 50,000 lbs: cents/lbs

	Close	High	Low	Prev
Mar	62.06	62.09	61.80	62.07
May	62.06	62.09	61.85	61.97
July	58.89	58.90	58.65	58.90
Oct	50.95	51.00	51.00	51.02
Dec	49.03	49.18	49.00	49.07
Mar	49.80	—	—	50.00
May	50.10	—	—	50.40

CRUDE OIL (LIGHT) 42,000 US gallons; $/barrel

	Close	High	Low	Prev
Feb	26.30	26.60	26.25	26.66
Mar	25.29	25.49	25.18	25.65
April	24.50	24.70	24.35	24.89
May	23.95	24.11	23.90	24.39
June	23.53	23.70	23.55	23.98
July	23.20	23.40	23.28	23.65
Aug	22.92	23.10	23.10	23.38
Sept	22.70	22.95	22.89	23.11
Oct	22.52	22.69	22.69	22.91
Nov	22.36	—	—	22.73

GOLD 100 troy oz; $/troy oz

	Close	High	Low	Prev
Jan	329.0	—	—	328.5
Feb	331.1	332.4	329.4	330.6
Mar	332.9	332.7	332.7	331.2
April	334.9	336.2	333.0	334.4
June	338.9	340.0	337.6	338.3
Aug	343.0	343.5	343.5	342.4
Oct	347.2	347.0	347.0	346.6
Dec	351.4	352.3	351.0	350.8
Feb	355.7	—	—	355.1
June	364.5	—	—	363.9
Aug	369.3	—	—	368.7
Oct	374.2	—	—	373.6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	High	Low	Prev
Mar	343.2	346.0	343.0	345.2
May	321.0	324.2	321.0	324.4
July	287.4	290.4	286.2	291.0
Sept	287.0	290.0	286.4	291.0

HEATING OIL 42,000 US gallons cents/US gallons

	Close	High	Low	Prev
Jan	80.55	80.80	79.75	80.72
Feb	78.35	78.50	77.75	78.09
Mar	73.38	73.90	73.00	74.43
April	68.50	68.80	67.80	69.24
May	65.11	65.35	64.80	66.15
June	64.00	64.00	64.00	64.70
July	63.75	—	—	64.20
Aug	63.45	—	—	63.90
Sept	63.80	—	—	64.25
Oct	63.80	—	—	64.25

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	High	Low	Prev
Jan	103.50	104.50	102.80	108.00
Mar	106.15	107.15	105.80	110.20
May	106.15	108.80	107.25	111.10
July	109.50	109.50	108.00	111.90
Sept	108.75	108.50	107.80	110.50
Nov	109.50	—	—	111.00
Jan	110.00	—	—	111.50
Mar	110.50	—	—	112.10
May	110.50	—	—	107.50

SILVER 5,000 troy oz: cents/troy oz

	Close	High	Low	Prev
Jan	582.6	583.0	580.0	585.0
Feb	586.5	—	—	589.0
Mar	590.5	593.0	589.5	593.0
May	598.2	600.5	597.0	600.6
July	606.1	607.5	608.2	608.3
Sept	614.2	616.0	614.6	616.4
Dec	626.3	629.5	625.0	628.3
Jan	630.5	—	—	632.5
Mar	638.8	639.6	639.0	640.7
May	647.4	647.0	647.0	649.2

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	High	Low	Prev
Jan	4.25	4.25	4.25	4.20
Mar	5.62	5.67	5.54	5.51
May	5.82	5.86	5.72	5.73
July	5.96	6.05	5.94	5.95
Sept	6.12	—	—	6.11
Oct	6.30	6.34	6.23	6.22
Jan	6.62	—	—	6.54
Mar	6.98	6.96	6.96	6.86

CHICAGO

MAIZE 5,000 bu min; cents/56lb-bushel

	Close	High	Low	Prev
Mar	248.2	249.0	248.0	248.2
May	252.2	253.2	252.0	253.0
July	253.0	253.4	252.6	253.4
Sept	237.6	239.0	237.6	238.4
Dec	228.0	228.6	228.0	228.2
Mar	235.2	235.4	235.2	235.4
May	240.0	—	—	240.0

SOYABEANS 5,000 bu min; cents/60lb-bushel

	Close	High	Low	Prev
Jan	531.2	533.0	531.0	531.6
Mar	542.6	545.4	542.4	544.0
May	554.0	556.0	553.6	556.4
July	562.4	565.4	562.2	564.2
Aug	563.4	563.4	563.0	563.0
Sept	551.0	551.0	549.4	548.4
Nov	545.4	546.0	544.0	544.4
Jan	554.4	555.0	553.0	554.0
Mar	564.0	565.0	563.4	563.0

SOYABEAN MEAL 100 tons; $/ton

	Close	High	Low	Prev
Jan	148.2	148.9	147.7	147.7
Mar	150.8	151.5	150.4	150.7
May	153.4	153.8	152.7	153.1
July	155.2	155.7	154.6	155.3
Aug	154.5	155.5	154.5	156.0
Sept	152.0	152.8	152.0	151.7
Oct	149.8	—	—	149.5
Dec	152.0	152.0	151.0	151.0

UNLISTED SECURITIES MARKET

The Financial Times is proposing to publish a Survey of the Unlisted Securities Market on

Monday January 27 1986

For further details and advertisement rates, please contact:

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Dates of Financial Times Surveys are subject to change at the discretion of the Editor

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar finishes year weak

The dollar was already showing a downward trend to another 2½-year low against the D-mark, when the US November trade deficit of $13.68bn was announced. This was higher than expected, and at the same time the October deficit was revised to a record $14bn, compared with a previous estimate of $11.45bn. The deficit for the first 11 months of the year of $131.8bn, compared with $115.36bn for the same period of 1984, while the deficit with Japan in November was the second highest on record, at $4.58bn, against $3.20bn in October. Although the figures depressed the dollar in New York and London, Continental centres such as Frankfurt and Paris had already closed for the New Year holiday, and trading was very thin.

The dollar fell to DM 2.4455 from DM 2.4690, the lowest level since May 1983, and also declined to FFr 7.50 from FFr 7.5625; SFr 2.06 from SFr 2.0790; and Y200.25 from Y201.

On Bank of England figures the dollar's index fell to 125.3 from 125.8.

STERLING—Trading range against the dollar in 1985 was 1.4885 to 1.0525. November average 1.4408. Exchange rate index fell 0.1 to 77.9 It opened at 77.8 the day's low and touched a peak of 78.0. Six months ago the index was 81.3.

Sterling rose 65 points to $1.4450-1.4460, and also improved to Y289.50 from Y289.25, but fell to DM 3.5350 from DM 3.5450; FFr 10.84 from FFr 10.8825; and SFr 2.9775 from SFr 2.9925.

D-MARK — Trading range against the dollar in 1985 was 3.4510 to 2.4455. November average 2.5926. Exchange rate index 131.9 against 122.4 six months ago.

The D-mark remained strong against the dollar as foreign exchange trading in Frankfurt closed around noon, ahead of the New Year. The dollar closed at a 2½-year low of DM 2.4495 on Tuesday, compared with DM 2.4645 previously. The Bundesbank did not intervene when the dollar was fixed at DM 2.4613, and in very thin trading the US currency touched a low of DM 2.4420.

FRENCH FRANC—Trading range against the dollar in 1985 was 10.55 to 7.50. November average 7.9820. Exchange rate index 70.2 against 65.3 six months ago.

The franc gained ground against the dollar in calm Paris trading, as banks closed early for the New Year holiday on Tuesday. The dollar finished at FFr 7.54 in Paris, virtually unchanged from the opening, but down from Monday's London close of FFr 7.5625, and also slightly weaker than the New York finish of FFr 7.5475.

JAPANESE YEN—Trading range against the dollar in 1985 was 263.15 to 200.25. November average 203.97. Exchange rate index 177.6 against 155.1 six months ago.

The yen continued to improve against the dollar in very quiet trading. The dollar closed at Y200.60 in Tokyo compared with Y201.10 on Monday. During the day the US currency touched a one-month low of Y200.10, on speculative selling as dealers became concerned that the dollar may fall below Y200 while the Tokyo market is closed for a three day holiday over the New Year. On the other hand it is expected that commercial demand will lend support to the dollar when trading resumes on Monday. The US currency last fell below Y200 on November 25, when it slipped to a five-year trading low of Y199.80 in Tokyo.

£ IN NEW YORK

	Dec. 31	Prev. close
£ Spot	$1.4450-1.4460	$1.4410-1.4420
1 month	0.44-0.42pm	0.44-0.43pm
3 months	1.32-1.30pm	1.30-1.28pm
12 months	4.67-4.60pm	4.60-4.50pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Dec 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4380-1.4480	1.4450-1.4460	0.45-0.42c pm	3.61	1.34-1.29 pm	3.64
Canada	2.0085-2.0255	2.0190-2.0230	0.45-0.35c pm	2.38	1.31-1.15 pm	2.44
Nethlnd.	3.97-3.99¾	3.98¼-3.99¼	2⅛-1⅞c pm	6.04	5⅞-5⅝ pm	5.79
Belgium	72.11-72.80	72.30-72.40	16-8c pm	2.07	40-30 pm	1.93
Denmark	12.86½-12.93½	12.89½-12.90½	4¼-3¼ ore pm	3.56	11½-10 pm	3.28
Ireland	1.1580-1.1630	1.1580-1.1590	0.18-0.05p pm	1.19	0.10pm-0.09d	-0.02
W. Ger.	3.52½-3.55	3.53-3.54	2⅛-2pf pm	7.01	6-5⅞ pm	6.72
Portugal	225¾-231¾	227-230	200-580c dis	-19.96	480-1350dis	-16.02
Spain	220½-223	220¾-221¼	20-105c dis	-3.39	175-255 dis	-3.88
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	10.89¾-10.97¾	10.90-10.97	¼ ore pm-¼ dis	-0.34	2½-3¼ dis	-0.98
France	10.82½-10.90¾	10.83½-10.84½	¾-2¾c dis	-1.52	4½-5¼ dis	-2.00
Sweden	10.89¾-10.97¾	10.90½-10.91½	½-1⅜ ore dis	-0.69	1½-2¾ dis	-0.67
Japan	288½-290¼	289-290	1.44-1.39y pm	4.41	3.51-3.33 pm	4.73
Austria	24.84-24.90	24.84-24.90	10½-8⅞ gro pm	4.69	31¼-26 pm	4.63
Switz.	2.96½-2.99¼	2.97½-2.98½	2½-1¾c pm	8.05	6¾-5¾ pm	7.86

Belgian rate is for convertible francs. Financial franc 72.80-72.90. Six-month forward dollar 2.62-2.57c pm. 12-month 4.69-4.53c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4380-1.4480	1.4450-1.4460	0.45-0.42c pm	3.61	1.34-1.29 pm	3.64
Ireland†	1.2400-1.2480	1.2465-1.2485	0.30-0.20c pm	2.41	1.20-1.05 pm	3.62
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	2.7600-2.7700	2.7575-2.7585	0.89-0.84c pm	2.46	1.91-1.44 pm	2.14
Belgium	49.85-50.40	50.00-50.10	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	2.4400-2.4620	2.4450-2.4460	0.70-0.65pf pm	3.31	1.90-1.85 pm	3.06
Portugal	157½-159	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	153.00-153.80	153.00-153.20	[illegible]	[illegible]	[illegible]	[illegible]
Italy	1660-1681	1670-1671	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	200.00-200.70	200.20-200.30	0.18-0.12y pm	0.90	0.60-0.50 pm	1.10
Austria	17.18-17.31	17.20-17.22	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 50.35-50.45.

CURRENCY MOVEMENTS

Dec. 31	Bank of England Index	Morgan Guaranty Change %
Sterling	77.9	-18.4
U.S. dollar	125.3	+14.8
Canadian dollar	80.5	-11.5
Austrian schilling	122.5	+6.2
Belgian franc	92.9	-9.3
Danish Kroner	84.0	-8.1
Deutsche mark	131.9	+12.4
Swiss franc	158.0	+12.4
Guilder	121.5	+7.4
French franc	70.2	-11.4
Lira	45.4	-19.3
Yen	177.6	+30.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

OTHER CURRENCIES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

[illegible]

Long-term Eurodollars: two years 8¼-8½ per cent; three years 8¾-9 per cent; four years 9-9¼ per cent; five years 9⅜-9⅝ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

CURRENCY RATES

[illegible]

* CS/SDR rate for December 30: 1.53307

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Quiet trading

Prices were slightly lower in very quiet trading on the London International Financial futures Exchange on Tuesday. Eurodollars for March delivery opened at 92.27, and remained around 92.26 to 92.27 throughout the morning, before falling to 92.25 just before Chicago began trading. Expectations of a high Federal funds rate, because of year end pressure kept prices depressed. The US trade deficit of $13.68bn in November was higher than market forecasts of around $13bn, and pushed March Eurodollars up to the day's high of 92.28, but at this level the contract met with selling, and fell back to close at 92.26, compared with 92.29 on Monday.

With many other financial markets closing early, and traders generally reluctant to take out new positions before the new year volume on Liffe was at a very low level, and the market took virtually no notice of the higher than expected rise of 7.7 per cent in November US new home sales.

Dealers pointed out that the rise was offset by a revised decline of 7.8 per cent in the October figure, from a previous fall of 5.5 per cent.

US Treasury bond futures were also very quiet, opening at 85-05, for March delivery, in line with the previous Chicago close, and rising to 85-10 ahead of the trade figures. The contract touched a peak of 85-12, but failed to sustain that level when sellers entered the market, pushing the price back to 85-09, against 85-10 at the previous settlement.

March gilts began at 111-04 and traded within a narrow range of 111-00 to 111-05, with nothing to stimulate market interest. Sterling gained a little ground against the dollar, but failed to benefit fully from the weakness of the US currency, providing little prospect of any early reduction in clearing bank base rates.

Three-month sterling deposits for March opened at 88.41, and fell to a low of 88.35, where clearing banks were reported to be buyers.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.455	1.4412	1.4324	1.4196	1.3995

IMM—STERLING $s per £

	Latest	High	Low	Prev
March	1.4345	1.4380	1.4330	1.4300
June	1.4215	1.4260	1.4215	1.4170
Sept	1.4110	1.4130	1.4110	1.4060

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.4355	1.4365	1.4295	1.4300
June	1.4225	—	—	1.4170
Sept	1.4115	—	—	1.4060

Est volume 48 (31)

Previous day's open int 1,853 (1,860)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

[illegible]

STERLING INDEX

	Dec. 31	Previous
8.30 am	77.8	78.0
9.00 am	77.8	78.0
10.00 am	77.8	78.1
11.00 am	78.0	78.2
Noon	77.9	78.2
1.00 pm	77.9	78.0
2.00 pm	77.9	77.8
3.00 pm	77.9	77.9
4.00 pm	77.9	77.9

LONDON

[illegible]

CHICAGO

[illegible]

MONEY MARKETS

London rates firm

Interest rates were firm in quiet trading on the London money market Tuesday. Three-month money was offered as high as 12 per cent, but closed unchanged at 11 15/16-11 13/16 per cent. Discount houses buying rates for three-month bank bills rose to 11¾ per cent from 11 23/32 per cent.

The Bank of England initially forecast a money market shortage of £500m, but changed this to £700m at noon, and provided total assistance on the day of £745m.

Before lunch the authorities bought £680m bills outright, by way of £95m bank bills in band 1 at 11⅞ per cent; £189m bank bills in band 2 at 11 13/16 per cent; £113m bank bills in band 3 at 11¾ per cent; and £283m bank bills in band 4 at 11 11/16 per cent.

In the afternoon another £25m Treasury bills were purchased outright in band 4 at 11 11/16 per cent.

Late assistance of around £40m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £666m, with Exchequer transactions absorbing £10m. These outweighed a fall in the note circulation adding £105m to liquidity and bank balances above target by £90m.

In New York the Federal Reserve injected liquidity into the banking system, by way of two-day system repurchase agreements, when Federal funds were trading at 10 per cent. There were considerable strains on the system because of end of quarter and end of year pressure for funds, as well as the need to settle reserve positions at the end of the regular two-week statement period for banks.

In Frankfurt call money rates varied widely between 5.30 per cent and 6 per cent as demand for funds at the end of the year put upward pressure on rates. Banks seeking funds to square their books were prepared to bid up to 6 per cent, while the market was also under some pressure from a round of oil tax payments by banks on behalf of corporate customers. The Bundesbank was reported to have injected about DM 3bn of help to the market on Monday through the Federal Railways Bank and another state-owned institution. This was in the form of overnight money at 5.20 per cent, but did not appear to have been rolled over on Tuesday.

UK clearing banks base lending rate 11½ per cent since July 30

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	7⅞
Fed funds at intervention	10
Treasury Bills & Bonds	
One month	5.98
Two month	6.72
Three month	7.26
Six month	7.43
One year	7.59
Two year	7.98
Three year	8.20
Four year	8.38
Five year	8.49
Seven year	8.85
10 year	8.99
30 year	9.27

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec. 31)

Three months U.S. dollars		Six months U.S. dollars	
bid 7 7/8	offer 8	bid 7 7/8	offer 8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Dec. 31	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	8-11⅝	11½-11¾	11⅝-11½	[illegible]	[illegible]	[illegible]
Sterling CDs	—	—	11⅝-11½	[illegible]	[illegible]	[illegible]
LocalAuthorityDepos	11½-11⅝	11½-11⅝	11⅝	[illegible]	[illegible]	[illegible]
Local Author'y Bonds	—	—	12¼	[illegible]	[illegible]	[illegible]
Discount Mkt Depos.	8-11⅝	11⅝-11½	11¼	[illegible]	[illegible]	[illegible]
Company Depos.	10½-11⅝	11⅞	11⅞	[illegible]	[illegible]	[illegible]
Finance Hse Depos	—	—	11¾	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	11 9/16	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	—	—	11 11/16	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	—	—	11 15/16	[illegible]	[illegible]	[illegible]
Dollar CDs	—	—	7.9-7.95	7.7-7.75	7.75-7.8	7.8-7.85
SDR Linked Depos	—	—	8-8¼	[illegible]	[illegible]	[illegible]
ECU Depos	—	—	9¾-9⅞	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 11½ per cent; three-month 11⅜ per cent. Bank Bills (sell): one-month 11 9/16 per cent; three-month 11 17/32 per cent. Treasury Bills: Average tender rate at discount 11.1662 per cent. ECGD Fixed Finance Scheme IV reference rate November 6 to December 3 (inclusive): 11.612 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from January 1 1986. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (nil). Certificates of Tax Deposits (Series 6). Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11 per cent; nine-12 months 11 per cent. Under £100,000 10½ per cent from December 12. Deposits held under Series 5 11¾ per cent. Deposits withdrawn for cash 7½ per cent.

MONEY RATES

Dec. 31	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard Inv'ntion
Frankfurt	5.00-5.60	4.80-4.95	4.75-4.90	4.75-4.85	4.75-4.85	5.5
Paris	9⅛	9-9⅛	—	9-9⅛	—	8¾
Zurich	7⅛-1⅛	5⅞-4	—	5⅜-4 3/16	—	—
Amsterdam	5¾-5⅞	5¾-5⅞	—	5¾-5⅞	—	—
Tokyo	7.78125	7.71875	—	7.65625	—	—
Milan	14⅝-15	15½-15½	—	14½-15	—	—
Brussels	5.05	9⅜	—	9⅜	—	—
Dublin	8-8½	10½-10⅞	11⅛-11¼	11⅝-12	—	12-12¼

Company Notices

GOLD FIELDS GROUP

DECLARATION OF DIVIDENDS

UNITED KINGDOM CURRENCY EQUIVALENTS

In accordance with the standard conditions relating to the payment of the dividends declared by the undermentioned companies on 10 December 1985, and on 4 December 1985 (in the case of The Clydesdale (Transvaal) Collieries Limited), payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of R3.810414 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 27 December 1985 as advised by the companies' South African bankers.

The United Kingdom currency equivalents of the dividends are therefore as follows:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount per share
The Clydesdale (Transvaal) Collieries Limited	145	15.88290p
Deelkraal Gold Mining Company Limited	6	5.24877p
Doornfontein Gold Mining Company Limited	58	26.24384p
Driefontein Consolidated Limited	25	36.35305p
Kloof Gold Mining Company Limited	32	14.43412p
Libanon Gold Mining Company Limited	70	44.61475p
Venterspost Gold Mining Company Limited	91	23.61945p

By order of the Boards
per pro CONSOLIDATED GOLD FIELDS PLC
London Secretaries
Mrs G. M. A. Gledhill, Secretary

London Office:
31 Charles II Street
St James's Square
London SW1Y 4AG

United Kingdom Registrar:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

30 December 1985

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on December 31, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rates; (u) unified rate.

[illegible]

§ Rate is the transfer market (controlled). †† Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banknote rates. (10) Rate for exports. (14) Nearly all business transactions. (15) Vietnam:—1 new dong equals 10 old dongs. † Correction (December 30): Swiss franc rate was 2.9925.

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101	99	Exch 11¼pc '86	99		11 77	11 89
99	96¼	Treas 10pcCnv 1986	99		10 06	11 92
97¼	92¾	Treas 3pc 1986	97¼		3 09	10 97
100	97½	Exch. 10½pc 1986	99		10 56	11 94
101¾	99¾	Treas 12pc 1986	100		11 99	11 73
98	94½	Treas 8¾pc 1984-86‡‡	98½xd		8 63	11 66
105	101	Exch 14pc 1986	101		13 81	11 68
95½	87¾	Exch 2½pc 1986	95½		2 62	7 84
104	101	Exch. 13¾pc 1987	101¾xd		13 04	11 61
99	96¾	Treas 10½pcCv '87	98		10 41	11 70
93¾	85½	Exch 2½pc 1987	93¾		2 67	8 43
100	96¼	Exch 10½pc 1987	98¼		10 63	11 54
95	89	Funding 6½pc '85-87‡‡	94		6 86	10 89
99	95½	Treas. 10pc 1987	98		10 20	11 48
92¾	84¼	Treas 3pc 1987	92¼xd		3 25	8 43
102	99¾	Treas. 12pc 1987	101		11 87	11 90
95	90¼	Treas 7¾pc 1985-88‡‡	93xd		8 26	11 21
100	95¼	Exch 10½pc '88	98¼		10 67	11 30
98¼	93¼	Treas 9½pc Cv '88	96¾		10 09	11 36
87¾	80	Transport 3pc '78-88	87¼xd		3 42	8 57
97¾	91½	Treas 9½pc '88	95½		9 95	11 35
102¾	97½	Treas 11½pc 1989	100		11 46	11 34
97	90¼	Treas 9½pc Cnv '89	95		10 00	11 34
84	79	Treas 3pc 1989	84¼		3 57	8 52
99¾	94	Treas 10½pc 1989	97		10 73	11 28
96¼	92	Exch 10pc 1989	96½xd		10 39	11 33
101	95	Exch 11pc 1989	99		11 10	11 29
86¼	79	Treas 5pc 1986-89	85¾		5 82	9 52
40¼	39	Exch 10½pcCv '89 (£40pd)	39		10 48	10 94
108	103½	Treas 13pc 1990‡‡	105xd		12 29	11 18
101¼	96	Exch 11pc 1990‡‡	99¼		11 10	11 29
108¼	100¼	Exch 12¼pc 1990	104¼		12 00	11 23
81	75¾	Treas 3pc 1990	81¼		3 70	8 25
93¾	87¾	Treas 8¼pc 1987-90‡‡	91¾		9 03	10 71
101¼	91¾	Treas 10pcCv 1990	95		10 48	11 24
		Five to Fifteen Years				
108¼	97¾	Treas 11¾pc 1991	101¾xd		11 50	11 19
87¾	80	Funding 5¾pc '87-91‡‡	86¾		6 73	9 30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
257	146	M'c'rthy Ph. 20p	257	+5	8.2	2.0	4.6	15.9
150	87½	Macfarlane Gp.	120	.....	1b2.16	3.1	2.6	16.9
47	34	Maclellan (P & W) 20p	40	.....	†1.7	2.3	6.1	8.3
88	46	Magnolia Group	83	.....	2.6	3.0	4.5	10.1
62	28	♦McInerney Hldgs 10p	62	.....	—	—	—	101.2
515	202	Man.-Ship Cap. £1	500	.....	5.5	3.5	1.6	26.3
123	70	Marley	108	.....	3.75	2.2	5.0	13.1
107	52	Marling Ind. 10p	82	−1	†d1.5	5.4	2.6	10.0
82	56	Marshall L'sy. 'A'	68	.....	†2.4	4.9	5.0	4.9
77	55	Marshall's Universal	68	.....	†2.0	1.4	4.2	(21.6)
89	78	Do. 7½pcCnRedPf £1	84	+1	7½%	—	12.8	—
98	91	♦Martin (Ronald) 10p	92	−2	bg3.27	2.2	5.1	12.5
£110	£81	♦Mathesons 7¾%	£110	.....	Q7¾%	2.3	†7.2	—
35	15	♦Mariprint 1p	19	−1	—	—	—	—
551	375	Metal Box £1	518	.....	17.25	3.0	4.8	8.2
170	110	Metal Closures	145	−2	6.7	2.0	6.6	9.1
17	3	♦Metal Sciences 2½p	8	+½	—	—	—	—
104	63	♦Midland Marts.	82	.....	4.0	2.1	7.0	9.8
*83½	55½	Mitchell Cotts	67	+½	4.25	2.0	9.1	(6.8)
230	182	Morgan Crucible	210	+2	†8.0	1.6	5.4	14.6
33	18	♦Morris (W) F.A. 20p	22½	.....	0.5	♦	3.2	♦
131	91	Moss (Robt.) 10p	108	.....	†3.0	2.7	4.0	11.6
81	60	Myson Grp 10p	65	.....	†2.5	3.4	5.5	12.3
330	214	♦NMW Computers	315	.....	†‡4.8	2.7	2.2	24.2
43	27	Nash Inds.	33	.....	0.5	—	2.2	—
48	15	Neill & Spencer 10p	16	.....	♦	—	—	4.8
44	14½	Newman Inds 10p	32	.....	20.3	—	1.3	(15.1)
57	26	Nolton	51	.....	0.95	2.6	2.7	7.3
216	146	Norcros	195xd	+1	†8.6	2.0	6.3	10.6

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

"Recent Issues" and "Rights" Page 22
(International Edition Page 26)

LONDON STOCK EXCHANGE

MARKET REPORT

Memorable year for equities draws to unexciting close

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Dec 9	Dec 19	Dec 20	Jan 6
Dec 23	Jan 9	Jan 10	Jan 20
Jan 13	Jan 23	Jan 24	Feb 3

* "New-time" dealings may take place from 9.30 am two business days

A very good year for equities, which will long be rememberel for unprecedented takeover speculation and the year of the mega-bid, drew to a quiet close in London on Tuesday. The final weeks of the year were indeed special, producing a series of offers in excess of one billion sterling and culminating with the largest UK bid of all, the near-£2bn offer from Hanson Trust for Imperial group.

Business has naturally benefited from these developments and on some recent occasions activity has reached record proportions. Measurements of the market trend have attained similar levels with the FT Ordinary share index achieving an all-time peak of 1,146.9 on November 25. Since then there has been a slight downturn but over the year the index showed a healthy rise of some 179 points, representing a gain of 18.8 per cent.

Rumours of another spectacular merger fired the market's imagination during the final market session of 1985. Following persistent speculation recently that Beecham could fall prey to either Unilever or a leading US concern, the latest market fiction suggested a possible merger of the pharmaceutical group with Guinness. The latter were the day's most active stock and rose to 324p before closing a net 6 up at 320p following late dismissal of the rumours. Beecham lost firmness at 361p, down 7.

Trade in blue chip issues was otherwise slow and final price movements were confined to a penny or so either way. Neither Wall Street's late surge on Monday nor the Prime Minister's bright assessment of the UK economy made any real impression on a market inevitably winding down ahead of the holiday break. After recording a small gain in the early dealings, the FT Ordinary index closed 1.6 down on the day at 1,131.4.

For Government securities the year has been less fortunate. In the latter part of the period, the emphasis has changed from money supply to the exchange rate and the pound's vulnerability to oil prices has deferred expected reductions in UK base lending rates. Consequently the market has been able to make only modest progress during 1985. In keeping with recent experiences, the volume of business on Tuesday was minimal and, despite a rising pound, both conventional and index-linked Gilts ended the ultimate session slightly easier again.

Leopold Joseph jumped 45 to 330p on speculative buying in a thin market; the rise was accompanied by vague takeover talk. Mercury Securities, in which Mr Saul Steinberg of the US recently increased his stake to just over 11 per cent, advanced 20 to 720p, while First National Finance Corporation improved a couple of pence more to 164p ahead of next Monday's preliminary figures. Moorgate Mercantile edged forward a fraction to 41p, but the major clearing banks rarely strayed from overnight levels.

Lloyds Brokers made the running in Insurances. Willis Faber led the way with a rise of 18 at 805p and Stewart Wrightson improved 8 at 693p. Elsewhere, Abbey Life, still reflecting a New Year investment recommendation, firmed 3 more to 199p.

Electronics concern Sigmex International staged a quiet, but relatively successful debut; opening at 107p, the shares finally settled at 105p compared with the placing price of 101p.

Distillers eased 3 more to 495p after the latest round of acrimonious exchanges following the publication of the defence document to the offer form Mr Jimmy Gulliver's Argyll Group, finally 3 dearer at 346p. Business in leading Breweries was dominated by Guinness, but Bass hardened 5 more to 660p. The only movement of note among Regionals was provided by Vaux which were marked a few pence higher to 350p following a Press mention.

Recently firm leading Buildings turned easier in the absence of further buying interest. Blue Circle softened 3 to 575p and Barratt Developments shed the same amount to 129p. Elsewhere, French Kier slipped 4 to 262p awaiting the outcome of C. H. Beazer's bid for the company; the offer closes today. Beazer were a shade easier at 478p. J. Jarvis attracted support in a restricted market and moved up 10 to 285p, while Attwoods met with fresh speculative interest and gained 5 more to 126p. Vibroplant were 5 better at 195p, but Rowlinson shed 2 to 32p.

Interest in the Chemical sector was at a low ebb, but ICI edged up 5 to 761p and Laporte improved a like amount to 345p. Perrenial takeover favourite James Halstead firmed 2 to a 1985 peak of 127p.

J. W. Wassall retreat

Leading Retailers made further progress with sentiment still boosted by reports of bumper trade at post-Christmas sales. Woolworth firmed 5 to 530p, W. H. Smith "A" appreciated 4 at 278p and Burton hardened a couple of pence to 552p. Habitat, additionally aided by Press comment, rose 3 to 453p. Elsewhere, J. W. Wassall, at 57p, lost 14 of Monday's Press-inspired gain of 26 following profit-taking. Takeover speculation lifted Bentalls 3 further to 156p, while improvements of 4 and 5 respectively were seen in Freemans, 352p, and Millets, 185p.

Among the Electrical leaders GEC eased 2 to 164p as did Plessey to 173p; the latter announced on Tuesday that it has started legal proceedings in the US against GEC to protect its American shareholders. Elsewhere, CPU Computers, reflecting recovery hopes, rose 7 to 37p. Applied Holographics responded afresh to Press mention with a further rise of 5 at 245p, while bid speculation left Pressac 10 to the good at 130p. Pifco, however, encountered profit-taking after the previous day's Press-inspired gain, reacting 15 to 190p, with the "A" shares a similar amount down at 160p. Kode, which had rallied strongly recently, also encountered selling and gave up 10 to 110p.

Features were few and far between in extremely quiet Engineerings. Ratcliffs (Great Bridge) were outstanding for a speculative rise of 10 at 120p, while demand of a similar nature left Manganese Bronze 3 to the good at 57p. Profit-taking in the absence of further developments in the bid situation left recently firm Westland 4 down at 88p.

Food shares continued to command investors' attention and once again the sector was highlighted by Unigate which gained 16 to 238p amid vague rumours of a bid from Hillsdown Holdings; the latter were also a firm market and closed 8 higher at 263p. Elsewhere, recently-overlooked Christian Salvesen revived with a gain of 4 at 132p, while Fitch Lovell moved up 7 to 253p. S. & W. Berisford, a dull market recently following poor results from its British Sugar subsidiary, rallied 5 to 163p. Fyke Holdings advanced 20 to 395p in a restricted market, while publicity given to a broker's circular stimulated Carr's Milling, 5 dearer at 165p. Among Retailers, Dee Corporation firmed 5 to 265p and Hillards rose 7 to 202p.

Grand Metropolitan were a quiet market and closed unchanged at 368p, but Ladbroke encountered occasional selling and settled 3 off at 319p. Trusthouse Forte softened a penny to 157p.

Kennedy Smale

Apart from the reaction in Beecham, movements in leading miscellaneous Industrials were limited to a couple of pence either way. Elsewhere, Kennedy Smale fell 6 to 101p on the lower mid-term profits, but favourable Press mention prompted demand for Securiguard, 8 to the good at 170p. Black Arrow, up 10 at 170p, continued to respond to a New Year recommendation, but recent favourites to encounter profit taking including Cannon Street Investments, 5 down at 107p, English China Clays, 8 lower at 278p, and Reuters, 7 off at 369p. Profit-taking also left Unigroup 9 off at 113p, after 110p. R. K. Watson drifted lower awaiting news of the recent bid approach and closed 8 off at 240p. In contrast, Alexander Workwear improved 4 to 207p in belated response to Press mention. Interest revived in Tiphook, 6 firmer at 140p and Macarthys Pharmaceuticals, 5 to the good at 257p.

Leisure issues were narrowly mixed. Juliana's, a dull market since the recent profits warning, rallied a few pence to 73p. In contrast, fading takeover hopes left Aspinall 3 off at 155p, and Barr and Wallace Arnold Trust A a like amount cheaper at 143p.

Motors had a couple of firm features in Godfrey Davis, 8 higher at 109p on takeover speculation and ERF, 3 dearer at 36p following revived speculative support.

Among Newspapers, United rose 8 to 282p, while elsewhere Saatchi and Saatchi, still reflecting a New Year investment recommendation, firmed 10 afresh at 810p.

Properties remained selectively firm. British Land hardened 2 to 154p and Haslemere Estates improved 5 to 515p. Elsewhere, Clayform continued to attract buyers in the wake of an investment recommendation and added 2 more to 217p, while estate agents Connells improved the same amount to 190p following Press comment highlighting bid possibilities. Buyers again favoured Trencherwood, up 5 more at 285p, and Tops Estates, 10 higher at 235p. Bradford firmed 5 to 440p, as did Chesterfield, at 450p.

British and Commonwealth Shipping rose 3 more to 320p on further consideration of a New Year Press tip. Mersey Dock units gained 2 to 28½p.

Yorklyde, 12 higher at 240p provided an isolated feature in an otherwise quiet Textile sector.

London Merchant Securities, a depressed market of late following disappointing annual figures, rallied 6 to 71p with the Deferred the same amount dearer at 61p. Elsewhere in Financials, Exco added 6 at 208p and Candover Investments put on 5 to 216p. Among Investment Trusts, Asset Special revived with a speculative rise of 4 at 81p.

Irish oils revive

News that Mexico had cut its crude oil prices by an average 90 cents per barrel dampened recent buying enthusiasm for leading oil shares. British Petroleum, at 558 lost a couple of pence of the previous day's gain of 12, while Shell slipped 3 to 665p. LASMO were a few pence easier at 243p and Britoil a shade lower at 207p. Tricentrol shed 5 to 150p. Elsewhere, Pict Petroleum rose 10 to 113p as takeover rumours revived. Irish Oils took a distinct turn for the better and featured Oliver Prospecting, up 6 at 21p. Atlantic Resources added 3 to 31p and Eglinton firmed 2 to 34p. Bryson were a penny dearer at 63p. Elsewhere, Jackson Exploration found support and rose 4 to 28p.

Golds quietly firm

Business in mining markets receded to near-negligible levels. Leading international centres, including Johannesburg and a number of major Continental markets, closed at midday local time with dealers reporting little activity of consequence. The bulk of trading session in London was notable only for its extension of the above.

As on Monday, however, South African Golds made limited progress as quotations were occasionally marked higher behind steady bullion. The Gold price finished a shade lower at $327.25 an ounce in London, but traded higher later in New York following the extremely disappointing US trade figures.

Heavyweight Golds displayed gains to over a full point as in Randfontein, 1¼ to the good at £47½. Southvaal, £29¼, and Vaal Reefs, £41⅞, advanced ⅜ apiece, while Buffels rose a half-point to £15½. Smaller-priced stocks were narrowly irregular. Libanon improved 31 to 942p and St Helena eased 20 to 752p, but West Rand eased 9 to 169p, while East Rand fell 12 to 248p. Nevertheless, the FT Gold Mines index rose 3.8 to finish the year at 249.8—still showing a substantial decline of 229.1 over the past 12 months.

South African Financials also made ground with "Amgold" outstanding at £38½—a gain of ½. De Beers closed 7 higher at 312p.

Australian mines showed scant variation from overnight levels. Among Golds, only Central Norsemen, 8 up at 288p, showed any noteworthy improvement.

Traded Options finished the year on a relatively bright note. Total contracts struck amounted to 6,894. The FT-SE 100 Index contract was well to the fore with 1,932 calls and 442 puts done. Business elsewhere was well distributed throughout the list with Beecham and GEC attracting 473 and 444 calls respectively.

FINANCIAL TIMES STOCK INDICES

	Dec. 31	Dec. 30	Dec. 27	Dec. 24	Dec. 23	Dec. 20	year ago
Government Secs	82.81	82.93	83.00	82.93	82.94	83.65	81.21
Fixed Interest	88.93	88.93	88.92	88.96	88.96	88.75	85.27
Ordinary ●	1131.4	1133.0	1123.3	1116.2	1113.5	1106.6	940.4
Gold Mines	249.8	246.0	239.8	243.0	244.8	254.4	473.3
Ord. Div. Yield	4.38	4.38	4.41	4.44	4.46	4.48	4.87
Earnings, Yld. %(full)	10.89	10.88	10.97	11.06	11.09	11.15	11.63
P/E Ratio (net) (*)	11.33	11.34	11.25	11.17	11.13	11.07	10.32
Total bargains (Est.)	18,379	16,211	9,228	10,801	23,966	22,846	19,243
Equity turnover £m.	—	220.69	115.12	223.71	494.20	566.23	232.38
Equity bargains	—	15,421	7,144	7,794	17,694	23,037	18,909
Shares traded (ml)	—	109.0	54.7	106.5	236.4	308.2	126.4

● 10 am 1133.4. 11 am 1132.6. Noon 1131.4. 1 pm 1131.7. 2 pm 1131.3. 3 pm 1131.3. 4 pm 1131.2.

Day's High 1133.4. Day's Low 1131.1.

Basis 100 Government Securities 15/10/26. Fixed Interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=10.91.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (18/10)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.98 (25/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1146.9 (25/11)	911.0 (5/12)	1146.9 (25/11/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	217.6 (5/11)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Dec. 30	Dec. 27
Daily Gilt Edged Bargains	88.5	40.5
Equities Bargains	99.9	46.3
Value	446.1	232.7
5 day Average Gilt Edged Bargains	80.1	84.7
Equities Bargains	92.1	97.2
Value	664.9	768.2

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (56)

BRITISH FUNDS (1) Transport 3pc 1978-88
AMERICANS (1) Browning-Ferris
BANKS (3) Algemene Bank Ned. Joseph (Leo.) Barclays
BREWERS (1) Guinness
BUILDINGS (1) Inst. Amco
CHEMICALS (4) Akzo Bayer BASF Halstead (J.)
STORES (7) Amber Day [illegible]
ENGINEERING (4) [illegible]
FOODS (3) [illegible]
HOTELS (1) [illegible]
INDUSTRIALS (13) [illegible]
INSURANCE (4) [illegible]
MOTORS (4) [illegible]
LEISURE (1) [illegible]
PAPER (1) [illegible]
PROPERTY (2) [illegible]
TEXTILES (1) [illegible]
TRUSTS (10) [illegible]
OVERSEAS TRADERS (1) [illegible]

NEW LOWS (11)

BRITISH FUNDS (5) Treas 2½pc IL 2003 Treas 2½pc IL 2013 Treas 2½pc IL 2006 Treas 2½pc IL 2016 Treas 2½pc IL 2009 Treas 2½pc IL 2020
CANADIANS (1) Bow Valley
BUILDINGS (1) AMEC
INDUSTRIALS (1) [illegible]
PAPER (1) [illegible]
OILS (1) Hamilton Oil

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Dec 16	Jan 3	Mar 20	Apr 7
Jan 6	Jan 17	Apr 10	Apr 21
Jan 20	Jan 31	Apr 24	May 6

For rate indications see end of Unit Trust Service

Money was given for the call of Westland, Sunleigh Electronics, Inn Leisure, Aquarius, Brunswick, West Coast, B. Elliott, Pilkington, STC, Macarthys Pharmaceuticals, Memcom, Cannon Street Investments, Clyde Petroleum, Acorn Computer, SCUSA, Lonrho and Energy Capital. No puts were reported, but a double option was taken out in Westland.

TUESDAY'S RISES AND FALLS

	Rises	Falls	Same
British Funds	4	89	16
Corpns., Dom and Foreign Bonds	0	6	75
Industrials	303	148	1,049
Financial & Props.	156	23	383
Oils	18	25	88
Plantations	0	3	15
Mines	46	23	109
Others	72	43	108
Totals	[illegible]	368	1,844

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

Tues Dec 31 1985	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Mon Dec 30 Index No.	Fri Dec 27 Index No.	Tues Dec 24 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (207)	573.88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (39)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (61)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (177)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Newspapers, Publishing (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Packaging and Paper (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (42)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (98)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Shipping and Transport (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (64)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (482)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oils (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (116)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (51)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (105)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (730)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Tues Dec 31	Day's change %	Mon Dec 30	xd adj. today	xd adj. 1985 to date
British Government					
1 5 years	118.27	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years	130.68	-0.12	130.64	[illegible]	[illegible]
3 Over 15 years	136.82	-0.12	136.99	[illegible]	[illegible]
4 Irredeemables	149.84	+0.05	149.76	[illegible]	[illegible]
5 All stocks	128.94	-0.06	129.04	[illegible]	[illegible]
6 Debentures & Loans	111.14	-0.04	111.18	[illegible]	[illegible]
7 Preference	81.61	—	81.61	[illegible]	[illegible]
BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8 All stocks	107.93	-0.14	108.08	[illegible]	3.11

AVERAGE GROSS REDEMPTION YIELDS	Tues Dec 31	Mon Dec 30	Year ago (approx.)
British Government			
1 Low Coupons 5 years	[illegible]	[illegible]	10.65
2 15 years	[illegible]	[illegible]	10.58
3 25 years	[illegible]	[illegible]	10.83
4 Medium Coupons 5 years	[illegible]	[illegible]	11.29
5 15 years	[illegible]	[illegible]	10.92
6 25 years	[illegible]	[illegible]	10.31
7 High Coupons 5 years	[illegible]	[illegible]	11.38
8 15 years	[illegible]	[illegible]	11.07
9 25 years	[illegible]	[illegible]	10.40
10 Irredeemables	[illegible]	[illegible]	9.90
11 Debs & Loans 5 years	[illegible]	[illegible]	11.73
12 15 years	[illegible]	[illegible]	11.68
13 25 years	[illegible]	[illegible]	11.64
14 Preference	[illegible]	[illegible]	12.71
15 Inflation rate 5%	[illegible]	[illegible]	3.34
16 Inflation rate 10%	[illegible]	[illegible]	3.16

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

TUESDAY'S ACTIVE STOCKS

Above average activity was note in the following stocks on Tuesday.

Stock	Closing price	Day's change
Beecham	361	−7
Davis (Godfrey)	109	+8
Fitch Lovell	253	+7
Guinness	320	+6
Imperial Group	255	−2
Joseph (Leopold)	330	+45
Lon. Merchant Sec.	71	+6
Pict Petroleum	113	+10
Pifco A	160	−15
Unigate	238	+16
Unigroup	113	−9
Willis Faber	805	+18

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Reuters B	17	376	+24
ICI	16	756	+9
BP	15	560	+12
Brit. & Comm.	13	317	+15
Beecham	11	368	+5
Distillers	11	498	−2
P & O Dfd.	11	456	+11
Brit. Arrow	10	140	−3
Pifco	10	205	+35
Britoil	9	210	+7
Cable & Wire.†	9	308	+2
Westland	9	92	+4

† Partly-paid

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+ or −	Net div.	Times covered	Gross yield	P/E ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Abbott Mead Vickers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Ashley (Laura) 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Barham Group 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cable & Wireless 50p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Chancery Securities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Chart. Foulks Lynch 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cheshire Wholefoods 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Chetwynd Streets 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cranswick Mill 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Crusta 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Dialene	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	German Sec. Inv. £1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Granyte Surfaces 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hampden Homecare 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	I & J Pathology 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Jacques Vert 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Lexicon Inc $0.01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Marivale Moore 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Millward Brown 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Monks & Crane 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Norank Systems 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	SAC Intnl. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	SPP 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Shandwick 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Sigmex Intl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Snowdon & Bridge	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Sterling Publish 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	TMD Advertising 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Tech. Compt. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	WYorks Ind. Hos. 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	World of Leather	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Allied Lon. Props. 10¾% 1st Mort. Deb. 2025	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Brit. Assets 6% Uns. Ln. 1995	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Bunzl 7% Cnv. Uns. Ln. 1996/97	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	East Anglian Water 11½% Rd. Db. 1995-97	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Essex Water 11.5% Red. Deb. 1995-97	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Do. 11.5% Red. Deb. 1995-97	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Exts. & Agency 11½% 1st Mort. Db. 2025	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Intl. Inv. Tst. Jersey Units	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Nationwide Bldg. Soc. [illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Rosehaugh Greycoat 7½% 1st Mt Db 2014	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	T.T. Finance 11½% Gtd. Deb. 2013	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Whitbread 7½% Step. Int. Db. '16	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+ or −
[illegible]	Nil	[illegible]	[illegible]	[illegible]	ANZ $A1	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Barham Group 5p	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Bestwood 10p	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Bodycote Int'l	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Hartwells	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Ind. Scot. Energy £1	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Leisure Inv.	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Lovell (Y.J.)	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Moundfield	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Regalian Props.	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Smith Bros.	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. *F* Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. *t* Indicated dividends: cover relates to previous dividend: p/e ratio based on latest annual earnings. *u* Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising five ordinary and one warrant. * Units comprising 12 preference shares and one warrant.

MONTHLY AVERAGES OF STOCK INDICES

	December	November	October	September
Financial Times				
Government Securities	83.09	83.57	84.15	83.38
Fixed Interest	88.94	89.12	89.96	88.61
Ordinary	1,113.9	1099.3	1034.2	1,002.8
Gold Mines	259.9	268.5	275.8	307.8
Total Bargains	22,768	26,560	28,980	21,641
F.T.— Actuaries				
Industrial Group	705.41	709.85	667.74	653.27
500 Share	740.30	746.83	709.13	695.60
Financial Group	513.92	528.82	497.88	476.57
All-Share	674.53	684.04	647.36	633.18
FT-SE 100	1392.6	1409.2	1330.3	1305.1

	December High	December Low
Ordinary	1133.0 (30th)	1089.9 (17th)
All-Share	688.02 (2nd)	662.51 (17th)
FT-SE 100	1418.6 (2nd)	1366.4 (17th)

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
B.P. (*558)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cable & Wire (*305)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold (*439)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds (*192)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union (*250)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Distillers (*495)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.E.C. (*164)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met. (*368)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I. (*759)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Sec. (*298)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Sp. (*178)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*665)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar Hse (*346)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
BAT Inds (*318)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays (*477)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Aero (*470)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BritTelecom (*199)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imperial Gr. (*255)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LASMO (*243)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LONRHO (*203)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O. (*456)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal (*160)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z. (*519)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs (*$41)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ex 10½% 1989	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 1991	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 03/07	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Mar.	Calls June	Calls Sept.	Puts Mar.	Puts June	Puts Sept.
BTR (*375)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beecham (*361)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*188)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
De Beers (*$4.50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GKN (*263)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glaxo (*1540)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson (*190)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jaguar (*350)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thorn EMI (*401)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco (*286)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Dec.	Jan.	Feb.	Mar.	Dec.	Jan.	Feb.	Mar.
FT-SE Index (*1412)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

December 31 Total contracts 6,894 Calls 5,427 Puts 1,467 *Underlying security price

WORLD STOCK MARKETS

AUSTRIA

Dec. 30	Price Sch'g	+ or —
Credit'nst'lt ppd	428	......
Goesser	614	......
Interunfall	1,490	+15
Jungbunzlauer*	42,000	+200
Laenderbank*	2,030	......
Perlmooser	745	-5
Steyr Daimler	167	+6
Veitscher Mag	999	+42

BELGIUM/LUXEMBOURG

Dec. 30	Price Frs.	+ or —
B.B.L.	2,675	-5
Banq. Gen. Lux.	9,600	
Banq. Int.A.Lux.	9,400	+50
Bekaert	9,010	+60
Ciment CBR	3,050	+90
Cockerill	197	-3
Delhaize	8,590	-10
EBES	3,870	+25
Electrobel	11,450	+25
Fabrique Nat.	2,100	+5
GB Inno BM	5,000	+25
GBL (Brux)	2,545	+25
Generale Bank	4,695	+5
Gevaert	5,100	+50
Hoboken	5,950	+200
Intercom	3,080	+80
Kredietbank	12,000	+300
Pan Hldgs.	9,950	......
Petrofina	6,750	+10
Royale Belge	18,100	-100
Soc. Gen. Belge	2,280	+5
Sofina	8,120	+20
Solvay	6,100	......
Stanwick Intl	1,100	-20
Tractionel	5,120	+120
UCB	6,580	-10
Wagons Lits	4,050	-5

DENMARK

Dec. 30	Price Knr %	+ or —
Andelsbanken	415	+4
Baltica Skand	580	-5
Cop Handelsb'nk	349xr	+2
D. Sukkerfab	480	......
Danske Bank	400	+1
De Danske Luft.	1,480	......
East Asiatic	251	+7
Forenede Brygg.	1,075	......
Forenede Damp.	225	+3
GNT Hld	670	+20
I.S.S.B.	605	-5
Jyske Bank	650	+35
Novo Inds	1,325	+5
Privatbanken	339	......
Provinsbanken	465	-5
Smidth (F.L.) B	329	+10

GERMANY

Dec. 30	Price Dm.	+ or —
AEG	240.8	+5.3
Allianz Vers	2,075	+5
BASF	270.5	+1.5
Bayer	275.5	+5.5
Bayer.Hypo	525	+25
Bayer-Verein	530	+5
BHF-Bank	514	+4
BMW	569.5	......
Brown Boveri	298	+1
Commerzbank	365	+20
Cont'l. Gummi	165.5	+0.8
Daimler-Benz	1,246	+20
Degussa	427.5	+3.5
D'sche Babcock	211	+8
Deutsche Bank	925	-10
Dresdner Bank	451.5	+14.5
GHH	257	-8.5
Henkel	412	+11.5
Hochtief	800	......
Hoechst	295.5	+20.5
Hoesch Werke	165.5	-0.5
Holzmann (P)	485	+12
Horten	212	+6
Hussel	430	+5
Karstadt	528	-5
Kaufhof	342	-7.9
KHD	312	-1
Kloeckner	91	-1
Linde	600	+2
Lufthansa	225	-6
MAN	252	......
Mannesmann	288	-5
Mercedes Hld	1,126	+5
Metallgesell	326	+6
Muench Rueck	3,010	+150
Nixdorf	587	-4
Porsche	1,895	+45
Preussag	255	-0.5
Rhein West Elect	195	+1
Rosenthal	345	+13
Schering	655	-4
Siemens	755	+5
Thyssen	170.4	+0.5
Varta	280	+0.5
Veba	295.5	-1
V.E.W.	141.5	+1
Verein-West	428	+9
Volkswagen	498.3	+18.5

ITALY

Dec. 31	Price Lira	+ or —
Banco Com'le	23,650	-150
Bastogi-IRBS	490	-10
Centrale	3,679	-50
C.I.R.	6,370	+20
Credito Italiano	3,135	-9
Fiat	5,950	-80
Generali Assicur.	77,050	-350
Italcementi	48,800	-2,200

NORWAY

SPAIN

SWEDEN

SWITZERLAND

NETHERLANDS

FRANCE

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

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TORONTO

Closing prices December 31

MONTREAL

Closing prices December 31

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NEW YORK

STANDARD AND POORS

TORONTO

NEW YORK ACTIVE STOCKS

OVER-THE-COUNTER

Nasdaq national market, closing prices December 31

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Closing prices, December 31

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26¾	16	AAR	.56	2.2	16	18	25⅞	25⅝	25⅞	+⅛
22⅛	10¾	AGS			18	319	u23½	22¼	23⅛	+1
15⅜	9⅞	AMCA				6	11⅛	11	11	+⅛
50¾	33½	AMR			7	3554	42	41¼	41½	−¼
24¾	18⅝	AMR pf2.18		9.3		6	23½	23⅜	23⅜	−⅛
22	19	ANR pf 2.12		10.		1	20¼	20¼	20¼	
17¾	7⅝	APL			5	96	10⅞	10⅝	10¾	−⅛
16¾	9	ARX			14	287	16¼	15½	15½	−⅝
55⅝	32¾	ASA	2a	5.7		1413	35¼	34¾	35	−¼
27	10½	AVX	.32	2.2		532	14½	14	14½	+⅛
28⅛	20⅝	AZP	2.72	10.	8	1524	27¼	26¾	27¼	+⅜
72	39⅞	AbtLab1.40		2.0	18	1303	68¾	67¼	68⅝	+1
26⅝	19⅝	AccoWd.50		1.9	19	148	26¼	25¾	26¼	+¼
24¾	10	AcmeC .40		3.2	18	456	12⅝	11½	12½	+¾
10½	7	AcmeE.32b		3.8	13	11	8⅝	8¼	8⅝	
19⅝	15½	AdaEx 1.92e		9.9		94	19⅝	19⅜	19⅜	−¼
22⅝	14	AdmMl .40		1.8	9	22	u22¾	22⅝	22½	+¼
18⅝	8¾	AdvSys.53i		3.0	16	233	18	17¾	17¾	
36⅝	22⅛	AMD			43	3754	29⅛	28⅝	29⅛	+⅛
12⅜	10⅝	Adobe n				442	12⅜	12	12¼	+¼
17⅞	14⅝	Adob pf 1.84		11.		13	17½	17⅛	17½	+¼
18	15¼	Adob pf 2.40		13.		34	17⅞	17¾	17⅞	
14⅜	7½	Advest 12a		.8	20	665	14¼	13⅞	14⅛	−⅛
53⅝	36	AetnLf 2.64		4.9	17	1626	u53½	52⅝	53½	+1
57½	52½	AetL pf5.19e		9.8		26	53¾	53⅛	53⅛	−⅛
48¾	24⅜	Ahmns 1.20		2.4	8	1563	u49	48	49	+¼
3⅝	2½	Aileen				1542	3⅜	3	3⅜	+¼
66¼	44½	AirPrd 1.48		2.3	14	422	64¼	63⅝	64⅛	−¼
24⅝	17½	AirbFrt .60		3.1	11	276	19¼	18¾	19¼	+⅜
2⅛	1⅜	AlMoa s.10e		5.0		100	2	1⅞	2	+⅛
29¼	24½	AlaP pf2.63e		9.7		22	27	26½	27	−¼
33⅜	27	AlaP pfA3.92		14.		20	28⅛	27¾	28⅛	+¼
8¾	6⅞	AlaP dpl.87		10.		15	8⅝	8⅝	8⅝	+⅛
88½	68½	AlaP pf 9		10.		z100	88	88	88	
107	96⅞	AlaP pf 11		10.		z530	105½	105½	105½	
92⅛	72	AlaP pf 9.44		10.		z50	90⅝	90⅝	90⅝	
80¼	62½	AlaP pf 8.16		10.		z3500	79½	79½	79½	−½
26⅝	14¼	AlskAir .16		1.0	8	2887	16¼	15¾	16⅛	−⅛
30¼	12½	Albrto s .38		1.3	22	28	29¾	29⅝	29⅝	−¼
33¼	26⅝	Albtsns .76		2.3	13	947	33	31¾	32½	+⅞
31¼	22¾	Alcan .80		2.8	56	1739	29¼	28⅞	29	+⅛
39	30⅛	AlcoStd.24		3.3	16	514	38½	37¾	38⅛	−⅜
34	22¼	AlexAlx 1		3.0		449	33¼	32⅝	33¼	+⅝
43	20⅝	Alexdr			45	123	39¼	38⅞	38⅞	−⅛
89½	72¾	AllgCp 1.54t		1.7	23	29	89⅜	87¼	88⅝	+1
28¾	17	Algint 1.40		7.2		487	19½	19⅛	19⅜	−⅛
20⅜	15⅛	Algln pf2.19		13.		36	16⅞	16⅝	16¾	+⅛

NYSE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10 1/4	3 3/4	PantPr				1000	9 7/8	9 1/2	9 3/4	
16 1/8	6 1/2	Pardyn				2806	7 1/4	6 7/8	7	+ 3/8
17 5/8	11 1/2	ParkEl	.08e	.4	14	237	16 1/8	15 3/4	16	− 1/4
7 1/2	4	ParkDri	.08	1.7		2037	4 7/8	4 1/4	4 5/8	+ 1/4
39 1/2	28 1/4	ParkH	1.12	2.9	13	897	38 1/2	37 5/8	38 1/2	+ 5/8
24 7/8	15	ParkPn	.52	2.1	36	355	24 7/8	24 1/4	24 7/8	+ 3/8
5	3	PatPtr	s		19	534	3 3/8	3 1/4	3 1/4	
15 1/4	11 1/2	PayNP	.64	5.0	16	401	12 7/8	12 1/4	12 7/8	+ 3/8
23 5/8	13 1/2	PayCsh	.16	1.0	14	1041	16	15 5/8	15 3/4	
1 1/8	1/4	Pengo				317	3/8	11-32	11-32	
58 5/8	45	PenCen			14	497	50 3/4	50	50 3/4	+ 3/4
57 3/4	44 5/8	Penney	2.36	4.3	11	1400	55 5/8	55 1/4	55 1/2	
29	23 1/2	PaPL	2.56	8.9	10	558	28 7/8	28 3/4	28 3/4	
40 1/2	33 1/2	PaPL	pf4.50	11.		z110	40	39	40	− 1/2
79	63	PaPL	pf8.60	11.		z230	78 1/4	78 1/4	78 1/4	
29 3/4	25 5/8	PaPL	dpr3.42	12.		1	28 7/8	28 7/8	28 7/8	
27 1/2	22 3/4	PaPL	dpr2.90	11.		2	27	27	27	− 1/8
74 1/4	61	PaPL	pr8.40	11.		z540	u75 1/2	73	75 1/2	+ 3 1/2
31 3/4	27 3/4	PaPL	dpr3.75	13.		28	30 1/4	30	30	
100	79 1/4	PaPL	pf9.24	9.4		z820	99	98 1/2	98 1/2	− 1/2
103 1/2	88 1/4	PaPL	pr 11	11.		z120	103	102	102	
70 5/8	58 1/2	PaPL	pr 8	12.		z100	69	69	69	− 1 1/2
76 5/8	63	PaPL	pr8.70	12.		z200	75 1/2	75	75 1/2	+ 1 1/2
44 1/2	34	Penwlt	2.20	5.1		126	44	42 3/4	42 3/4	− 1
26 1/2	21 3/8	Penw	pf1.60	6.2		15	26 1/4	25 3/4	25 3/4	− 1/4
72	34	Penzoil	2.20	3.4	28	1224	64	62 3/4	64	+ 7/8
20 3/8	14 1/2	PeopEn	.20	6.1	8	194	20	19 3/4	19 3/4	− 1/8
28 1/2	14 3/4	PepBy	s .20	.7	21	313	27 1/4	27	27	
75 3/8	40 3/8	PepsiCo	.78	2.5	13	861	72 3/4	72 1/8	72 1/2	+ 1/4
31 3/8	22 1/8	PerkEl	.60	1.9	17	1632	31 1/4	30 3/4	30 7/8	− 1/4
9 1/2	6 5/8	Prmian	1.10e	16.	6	6557	7 1/4	d	6 5/8	6 7/8
18 3/4	10 3/4	PeryD	s .22	1.3		64	17 3/8	17	17 1/8	− 1/4

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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
5 5/8	2 3/4	WridAr				61	4	3 7/8	3 7/8	
95	57 1/2	Wrigly	1.80a	1.9	15	85	93 1/4	92 5/8	93	− 1/8
4 3/4	2 7/8	Wurltzr				14	3 1/8	3 1/8	3 1/8	
16	10 5/8	WyleLb	.32	2.2	84	87	14 3/4	14 1/2	14 3/4	+ 1/8
23 5/8	15 1/2	Wynns	.60	3.6	13	208	17	16 1/2	16 1/2	− 1/2
60 1/2	37 1/4	Xerox	3	5.0	20	1840	60	59 1/2	60	+ 1/8
56 3/4	48 1/2	Xerox	pf5.45	10.		4	54 1/2	54 1/4	54 1/4	+ 1/4
30 1/4	24 5/8	ZaleCp	1.32	4.5	13	85	29 5/8	29 1/8	29 5/8	
23 1/8	19 1/2	ZalepIA	.80	3.5		4	22 7/8	22 7/8	22 7/8	+ 5/8
17	6 1/4	Zapata	.12	1.6	54	1017	7 3/4	7 1/2	7 5/8	
66 1/2	32 5/8	Zayre	s .48	.8	18	624	61 3/4	60 7/8	61 5/8	+ 5/8
25	15 3/4	ZenithE				10388	20 7/8	20 3/8	20 3/4	− 1/4
23 5/8	17 1/4	Zero	s .32	1.4	19	29	23 1/4	22 3/4	23	
41 1/2	24 3/4	Zurnin	1.32	3.4	14	194	38 5/8	37 1/4	38 5/8	+ 1 3/4

- Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, December 31

OVER-THE-COUNTER

Nasdaq national market, closing prices, December 31

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WORLD STOCK MARKETS

WALL STREET

Optimism proves pervasive

FINANCIAL MARKETS on Wall Street saw the old year out in style as almost all the significant stock market indices bumped their recently established peak levels, rounding off the sparklingly successful final three months of 1985, *writes Terry Byland in New York.*

As the US securities markets reopen today after the New Year's Day holiday, investors hope to see the stock markets continue to respond to the wave of optimism that kept prices on the boil over the Christmas period.

Wall Street moves into the new year buoyed by hopes of an early cut in the federal discount rate, and by the implications of the fresh dip in the dollar, which on Tuesday took the US currency briefly below the Y200 level, previously a resistance point.

Analysts at the brokerage houses and investment banks take an optimistic view of prospects for the first half of this year. Corporate profits are expected to begin showing the benefits of the favourable factors underlying the recent surge in stock prices.

The fall in US interest rates, with the slide in the dollar with which it is linked, should boost earnings across a broad range of US industry. The collapse of Opec oil pricing policies is expected to stimulate world economies, as well as help to keep inflation subdued.

But a televised symposium of Wall Street analysts was somewhat cautious last week when assessing stock-market prospects for the whole of 1986, with several members suggesting that the Dow Jones industrial average might not show much change over the 12 months.

In part, their caution reflects lingering doubts over the pace of the US economy, which was still sputtering in November, according to the Commerce Department's Index of Leading Indicators, which showed a meagre gain of 0.1 per cent.

Moreover, there is some concern that the staggering rise in the stock market since the end of September may imply vulnerability to a correction phase. The upsurge has been featured repeatedly by speculative buying of futures contracts on the Standard & Poor's 500 index. The main investment institutions have been prominent speculators in index futures, and have often driven stock prices up when a discount opened between the contract and the underlying stocks.

Takeover speculation has also played a significant part in the stock market drama. In addition to feeding the investment fever, the latest developments in the takeover industry have brought huge increases in corporate debt, which have attracted the attention and concern of the Federal Reserve.

Both stock-market speculation and corporate debt ratios might be undermined later in 1986 if the economy fails to show the 4 per cent growth rate predicted by the Reagan Administration.

However, corporate results for the final 1985 quarter, due within three weeks, should confirm the strength of several favoured sectors of the market.

First in significance will be the news from IBM, which paced the market throughout last year.

IBM is venerated on Wall Street for its innovative management, but the technology sector as a whole is ideally suited to benefit from a lower dollar and lower US interest rates.

Major financial markets were closed yesterday for new year holidays.

Results from the pharmaceutical industry will reflect the effects of a weakening dollar on their overseas sales, which make up about half the industry's total revenue. The US leaders, such as Bristol-Myers, Merck and Pfizer, are maintaining their strong lead in an increasingly global market for patent drugs, and will introduce many new products this year.

Also high on the list of analysts' favourites are the money-centre bank stocks, which will continue to reap the benefit of lower rates and low inflation. Pressures to cut prime lending rates are growing but every week's postponement fills the banks' coffers.

Some market sectors may prove less popular, however. The Detroit motor stocks have stalled, as the leading manufacturers have again pumped sales by offering generous customer financing. Sales continue to flag and Wall Street expects production cuts soon if matters fail to improve.

Retail Stocks have been laggards as the traditional leaders of the industry struggle with tough price competition and careful shoppers. The delayed buy-out plan for Macy's, the premier department store, might still prove the opening shot in a restructuring of the industry.

Even those sluggish sectors of the market are likely to follow the industrial sector higher if the January corporate results flow provides the impetus. But that would still leave Wall Street feeling apprehensive about the second half of the year. Investors will need to show a little more caution over the next 12 months than was necessary between September and December 1985.

TOKYO

Foreigners face staff problems

A SCARCITY of qualified trading clerks is proving a headache for the six foreign securities firms granted seats on the Tokyo Stock Exchange (TSE) last year as they prepare to start operating on February 1, *writes Shigeo Nishiwaki of Jiji Press.*

The difficulty is so acute that the TSE says it may permit recruitment of foreign clerks, providing their command of the Japanese language is sufficient for them to communicate with their counterparts in Japanese securities houses.

Merrill Lynch Japan, a subsidiary of Merrill Lynch of the US, plans to recruit the son of the president of a US securities firm. Meanwhile, all six firms are hunting trading clerks through newspapers' offering them up to twice their current salaries.

The foreign companies – Merrill Lynch, Goldman Sachs, Morgan Stanley, Vickers da Costa, S. G. Warburg and Jardine Fleming – will occupy six of the 10 new seats created on the TSE, each costing Y1bn ($4.97m) or Y1.1bn.

Merrill Lynch, the largest of the newcomers, is expected to threaten the dominance of the Big Four Japanese securities houses, Nomura, Daiwa, Yamaichi and Nikko, when a 24-hour global trading system is introduced.

Mr Tetsundo Iwakuni, chairman of Merrill Lynch Japan, sees Tokyo as an integral part of a "money Shinkansen" (bullet train) between New York and London. His company's strategy is to promote trading in US and Japanese securities, underwriting on international markets and handling mergers and acquisitions in Japan.

Mr Shoji Oshima, director of Vickers da Costa's Tokyo branch, commented that the priority of Japanese securities firms had been quantity rather than quality in transactions. His firm will focus on quality of service and should provide a stimulus to the Japanese market, he added.

Mr Yoshio Hoshino, director of Jardine Fleming Securities, said his company would draw on its wide experience of pension and mutual fund management in the US and Europe in developing its operations in Japan.

In general, the foreign firms also aim to concentrate on overseas clients, initially, rather than attempt to compete head-on with Japanese securities houses on their own turf.